



**CENTRAL BANK
OF NIGERIA**

**BANKING SUPERVISION
ANNUAL REPORT
2008**

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Banking Supervision

Annual Report

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The Banking Supervision Annual Report is a publication of the Banking Supervision and Other Financial Institutions Departments of the Central Bank of Nigeria. The publication reviews policy and operational issues affecting the financial sector and its regulators/supervisors, with the main objective of disseminating information on current issues.

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FOREWORD

The relative stability of the Nigerian banking system, in the midst of the global financial crisis, is not unconnected with the banking system reforms, particularly the consolidation programme, which greatly strengthened the banks. Another bolstering factor for the resilience of the banking industry had been the proactive regulation of the system, which is complemented with stringent supervision.

In the sustained efforts of the Central Bank of Nigeria (CBN) to entrench a strong banking system, various improvements to the supervisory process are being explored. In this regard, risk-based and consolidated supervision are being vigorously implemented to complement existing regulatory measures such as the contingency planning framework for systemic distress and the CBN Code of Corporate Governance for Banks in Nigeria. Also, the deployment of the electronic Financial Analysis and Surveillance System has significantly improved the quality of financial reporting by banks.

To further strengthen banking supervision in Nigeria, plans had been concluded to deploy Resident Examiners to banks to monitor their activities on a daily basis.

The CBN also took some monetary policy measures intended to avert credit crunch in the banking system. To this end, the discount window was expanded to include eligible instruments such as commercial paper and bankers acceptances, in addition to treasury bills. The Monetary Policy Rate was reduced from 10.25 percent to 9.75 percent; Cash Reserve Requirement from four to two percent; and Liquidity Ratio from 40 to 30 percent.

The quest by the CBN for the safety and soundness of the financial system is not limited to the deposit money banks but also to other financial institutions under its purview. Thus, the CBN took steps to build the capacity of operators in the nascent microfinance banking sub-sector to ensure that the institutions are

professionally run to achieve the underlying economic policy objective of poverty reduction and sustain overall public confidence in the Nigerian financial system.

The effort to strengthen the Nigerian banking system is consistent with the Financial System Strategy FSS 2020 programme aimed at fostering a strong and robust domestic financial system that would serve as a catalyst for the emergence of Nigeria as one of the top 20 economies in the world by the year 2020.

With the benefit of hindsight, and experience of 50 years of banking regulation in Nigeria, the CBN is adequately positioned to keep a close watch on the Nigerian banking system and would continue to take necessary steps to keep the system sound and stable.

Tunde Lemo
Deputy Governor
Financial Sector Surveillance

PREFACE

This 12th edition of the Banking Supervision Annual Report highlights the activities of the supervisory departments of the CBN as well as major developments in the Nigerian financial system in 2008.

The report is divided into six chapters. Chapter one details developments in the banking industry, which include updates on the banking sector reform, electronic Financial Analysis and Surveillance System, banks' compliance with the CBN Code of Corporate Governance as well as cooperation among the various regulatory and supervisory agencies. Developments in the fight against money laundering and combating the financing of terrorism are also covered in this chapter.

Chapter two highlights the on-site and off-site supervision of banks and other financial institutions as well as the activities of the Bankers' Committee during the year.

Topical issues that dominated financial discourse in 2008 are covered in chapter three. Efforts of the CBN at averting the effect of the credit crunch, which has affected the global financial system, are also documented in this chapter. Other issues highlighted in the chapter are the resident examiner programme, efforts of the CBN towards implementing Basel II, curtailing the activities of illegal fund managers and the microfinance certification programme.

Chapter four reviews the development of private credit bureaux and the efforts towards introducing non-interest banking in Nigeria.

The performance of the banking industry and the other financial institutions sub-sector is reported in chapter five. This chapter also provides a detailed analysis of the trend of assets and liabilities, earnings and profitability, and efficiency of operations, among others.

The CBN sustained its efforts to build capacity through staff training and development during the year. This stems from its resolve to enhance, on a continuous basis, the skills of its supervisors, thus, assuring their ability to cope with the dynamics of supervision. The activities of the CBN in this area are captured in chapter six. This chapter also highlights the conferences/retreats organized by both the Banking Supervision and Other Financial Institutions Departments in 2008.

We are deeply grateful to the Management of the CBN and all the contributors to this edition of the report for their support. Our heartfelt appreciation also goes to the members of the Banking Supervision Annual Report Committee, whose tireless efforts ensured the early publication of the report. The comments from readers have challenged us to continuously seek improvement in the standard of our report. We, therefore, welcome such comments and suggestions.

D. A. N. Eke
Ag. Director,
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Chapter One

DEVELOPMENTS IN THE FINANCIAL SERVICES INDUSTRY

1.01 UPDATE ON COOPERATION AMONG THE REGULATORY AND SUPERVISORY AGENCIES

The various regulatory and supervisory agencies sustained their co-operation during the year. Highlights of their activities are presented below:

The CBN/NDIC Committee on Supervision held a sensitization workshop on consolidated supervision for management staff of the CBN, NDIC and banks in August 2008. It also commenced the review of the Framework for Contingency Planning for Banking Systemic Distress and Crisis.

*CBN/NDIC on
Supervision*

Furthermore, some of the work hitherto done by the CBN/NDIC Technical Committee on Supervision, particularly the review of the Framework for Risk- Based Supervision and Consolidated Supervision, was assigned to the Supervisory Methodology Unit created by the CBN to develop, implement and support a risk-based supervision regime.

The Central Bank of The Gambia hosted the 14th Annual General Meeting of the Committee of Banking Supervisors of West and Central Africa, in October 2008. The three-day meeting was attended by 40 participants from the banking supervision departments of the central banks of the Democratic Republic of Congo, Ghana, Guinea, Liberia, Nigeria, Sierra Leone, Sudan and The Gambia as well as two banking commissions (Central African Banking Commission and the WAMU Banking Commission). Representatives of the Nigeria Deposit Insurance Corporation attended the meeting as observers. Resource persons from Societe Generale Bank (France) and Valtech (India) presented papers on

*Committee of Banking
Supervisors of West and
Central Africa*

Anti-Money Laundering and Terrorism Financing, and Supervisory Challenges of Outsourcing in Banks, respectively.

The opening ceremony was presided over by Mr. Basiru Njai, First Deputy Governor of the Central Bank of The Gambia, who stressed the need to improve the laws of finance and increase cooperation and coordination among supervisors within the sub-region in the face of the current global financial/economic crisis.

Earlier on, the outgoing Chairman of the Committee, Mr. L. N. Elongo of the Central Bank of the Democratic Republic of Congo, restated the objectives and reviewed the activities of the Committee in the areas of cooperation, harmonization of supervisory practices, experience-sharing and training. He recalled that the meeting provided an opportunity to undertake an in-depth analysis of the challenges confronting member countries. He observed that the Committee had made significant strides towards achieving its mandate in its 14 years of existence, through:

- Regular meetings of the committee and participation in the activities of the Basel Committee for Banking Supervision;
- Harmonization of prudential regulations within the sub-region;
- Improved information-sharing among members; and
- Organization of seminars on topical supervisory issues, in collaboration with the Financial Stability Institute (FSI) of the Basel Committee, Switzerland.

Mr. Ousman A. Sowe, Director of Banking Supervision of Central Bank of The Gambia, was elected the new Chairman of the Committee. During his tenure, he would be expected to:

- Coordinate the process leading to the adoption and signing of the Committee's Charter by members;

- Ensure a fully operational secretariat for the Committee;
- Adopt/implement the harmonization of supervisory processes as recommended by the Sub-committee on the Harmonization of Prudential Regulation within the sub-region;
- Organize training programmes for bank supervisors in addition to the annual training programme held in collaboration with the FSI;
- Develop a uniform reporting format for supervisory processes that would ensure comparison across member states;
- Encourage the signing of memoranda of understanding (MOU) among members to foster cooperation on consolidated supervision; and
- Contact inactive members with a view to activating their participation.

The next Annual General Meeting of the Committee would be hosted by Guinea, in 2009.

1.02 UPDATE ON eFASS

Highlights of the implementation efforts on eFASS during the year are indicated below:

Requirements for Risk-based Supervision and Consolidated Supervision

The eFASS Implementation Committee set up a sub-committee to identify other enhancements needed in the software to meet the requirements of risk-based supervision and consolidated supervision.

Automation of Processing of Annual Accounts

The CBN approved the development of a platform for the electronic submission and processing of annual accounts of banks and discount houses. Consequently, a Sub-committee of the eFASS Implementation Committee was set up to articulate the Software Requirements Specification (SRS) for onward delivery to the developer.

Set-up of Replicating Server in the NDIC

The installation of the eFASS replicating server in the NDIC began during the year.

eFASS Software Marketing Agreement

The eFASS Software Marketing Agreement was signed by all the parties concerned after incorporating the amendments proposed. More central banks have shown interest in the software and marketing discussions are at various stages. Similarly, discussions were ongoing with the developer with a view to incorporating the latest technology in the software to make it more robust.

Connectivity of Other Financial Institutions (OFIs) to eFASS

The eFASS could not be fully deployed to the reporting institutions (RIs) in the OFI sub-sector due to some challenges relating to capacity building. For instance, the PMIs and the FCs could not conclude writing the conversion programmes of their applications to XML templates. In order to address the challenges, further training on the eFASS XML return template was conducted for the staff of the RIs in July 2008.

As at end 2008, only 19 of the 99 PMIs were registered in the eFASS database, while the FCs were yet to complete the writing of conversion programmes of their applications to the XML template. The parallel rendition of returns is expected to commence by January 2009.

The planned training programme on the eFASS query builder, which was meant to enhance the capacity of the users to generate dynamic reports from the eFASS database, could not take place during the year due to congestion in programmes/activities. It is expected that the training would take place in 2009.

*Training on eFASS Query
Builder*

1.03 DEVELOPMENTS IN THE OTHER FINANCIAL INSTITUTIONS (OFI) SUB-SECTOR

The reforms in the OFI sub-sector of the Nigerian financial system continued in 2008, with significant developments, as highlighted below:

*Microfinance Banks
(MFBs)*

Three hundred and eight of the 607 erstwhile community banks that successfully converted to MFBs obtained final licences. The final licencing of the remaining 299 MFBs with provisional approval had not been concluded. This was largely due to delays in registering increases in capital, change of name, replacement of directors and the reluctance of the institutions to pay penal charges for non-submission of statutory returns at the Corporate Affairs Commission (CAC).

One hundred and twenty-seven applications for MFB licences were received in 2008, bringing the total number, since the MFB policy was launched, to 249. One hundred and thirty-eight of the applications received final licences, 95 were granted approvals-in-principle (AIPs), while 16 were being processed.

Three Deposit Money Banks (DMBs) received approval to establish microfinance bank subsidiaries/associated companies. The total number of DMBs involved in microfinance through either the establishment of subsidiaries or in-house units was 10 at end 2008 (see Table 1). Two of the applications received during the year involved foreign investors, bringing the total number of MFBs with significant foreign ownership/participation to three (see Table 2). The number of approved MFBs as at end 2008 was 840.

*Bureaux de Change
(BDCs)*

The CBN inaugurated the Committee of Microfinance Banks in Nigeria (COMBIN) as a platform for interaction between regulators and the operators in the microfinance sub-sector. The Committee comprised the Managing Directors/Chief Executive Officers of all MFBs and officials of the regulatory agencies.

The certification programme for the training of supervisors, directors and operators of the MFBs was approved in December 2008. The programme is scheduled to commence in 2009.

The CBN, in collaboration with the NDIC, drew up an Exit Strategy for the 229 CBs that failed to convert as at December 31, 2007. Special examinations of the failed CBs to ascertain the extent of insolvency and the veracity of claims, was undertaken in September 2008, setting the stage for the implementation of the Exit Strategy.

In addition to 64 outstanding applications for BDC licences as at end 2007, 589 others were received in 2008. Three hundred and forty-five were granted final licences, 216 received AIPs, while 92 were being processed. The total number of approved BDCs at end 2008 was 1,264 as against 703 at end 2007.

*Bureaux de Change
(BDCs)*

Two finance companies were granted final licences, bringing the total number of finance companies to 113.

The activities of the illegal fund managers/ 'wonder banks' attracted the attention of regulatory authorities during the year. To address the menace posed by the illegal fund managers/ 'wonder banks', an inter-agency committee comprising the CBN, Securities and Exchange Commission, Nigeria Deposit Insurance Corporation, (CAC), Economic and Financial Crimes Commission and the Nigeria Police, was inaugurated in February 2008.

As part of the on-going reforms in the financial system, a draft paper to reposition the FCs is being articulated by the CBN.

Approval was granted for the establishment of four new PMIs including a subsidiary of a DMB. The approvals brought the total number of PMIs to 99, while 14 others were being restructured. The number of DMBs with PMI subsidiaries was 12 as at year end (see Table 3).

*Primary Mortgage
Institutions (PMIs)*

Efforts continued in the drive to restructure and reposition the mortgage/housing finance sub-sector, through a comprehensive reform package, designed to redress the perennial under-performance of the licensed PMIs. The reforms are expected to facilitate the implementation of the various initiatives arising from the work of both the Presidential Committee on Affordable/Social Housing and the FSS 2020 Mortgage Sector Committee.

*Development Finance
Institutions (DFIs)*

The regulation of DFIs received a boost with the issuance of the “Prudential Standards and Guidelines for African Development Banks and Finance Institutions” and the selection of Nigeria’s Bank of Industry Ltd as one of the African DFIs for the pilot scheme on the rating of DFIs. The document, which was drawn up under the aegis of the Association of African Development Finance Institutions (AADFI), was expected to serve as the basis for regulating these institutions for enhanced operational sustainability and greater effectiveness in fulfilling their institutional mandates.

Table 1
Deposit Money Banks Involved In
Microfinance Banking

S/N	Deposit Money Bank	Subsidiary/Vehicle	Percentage Holding
1	United Bank for Africa Plc	UBA MFB Ltd	100
2	First Bank of Nigeria Plc	FBN MFB Ltd	100
3	Intercontinental Bank Plc	Blue Intercontinental MFB Ltd	35
4	Ecobank Plc	Accion MFB Ltd	18.47
5	Zenith Bank Plc	Accion MFB Ltd	10
6	Citibank Ltd	Accion MFB Ltd	19.9
7	Afribank Nigeria Plc	Afribank MFB Ltd	100
8	Oceanic Bank Int'l. Plc	Microfinance Unit/Dept	Not Applicable
9	Diamond Bank Plc	Microfinance Unit/ Dept	Not Applicable
10	Union Bank of Nigeria Plc	Microfinance Unit/ Dept	Not Applicable

Table 2
Microfinance Banks With Significant
Foreign Ownership/Participation

S/N	Name	Foreign Shareholders	Percentage Shareholding
1	Accion MFB Ltd.	Accion Investments Inc., USA International Finance Corporation (IFC), USA	24.03% 12.06%
2	Blue Intercontinental MFB Ltd.	Blue Employee Benefits Pty Ltd., South Africa	65%
3	AB MFB (Nig.) Ltd.	Access Microfinance Holding AG, Germany	50.1%
		African Development Bank (AfDB)	12.45%
		Impulse Microfinance Fund, Belgium	15%
		International Finance Corporation (IFC), USA	10%
		KfW Development Bank, Germany	12.45%

**Table 3
Deposit Money Banks With
Primary Mortgage Institution (Pmi) Subsidiaries**

S/N.	Deposit Money Bank	Primary Mortgage Institution
1.	Diamond Bank Plc.	Diamond Mortgages Limited (formerly Dominium Building Society Limited)
2.	First Bank of Nigeria Plc.	FBN Mortgages Limited
3.	Guaranty Trust Bank Plc.	GT Homes Limited (formerly New Patriot Building Society Limited)
4.	Intercontinental Bank Plc.	Partnership Savings and Loans Limited
5.	Oceanic Bank International Plc.	Oceanic Homes Savings and Loans Limited (formerly Fine Homes Limited)
6.	Platinum Habib Bank Plc.	PHB Mortgages Limited (formerly Finacorp Building Society Limited)
7.	Skye Bank Plc.	EIB Building Society Limited
8.	Spring Bank Plc.	Spring Mortgages Limited (Guardian Mortgages Limited)
9.	Sterling Bank Plc.	Safe Trust Savings and Loans Limited
10.	Union Bank of Nigeria Plc.	Union Homes Savings and Loans Limited
11.	Wema Bank Plc.	Wema Savings and Loans Limited
12.	Access Bank Plc.	Access Homes & Mortgages Limited

1.04 UPDATE ON THE BANKING SECTOR REFORMS

Introduction

The CBN continued to consolidate on the gains of the banking sector reform programmes, introduced in 2004, to strengthen local banks and enhance their international competitiveness. Specifically, the following milestones were attained in 2008:

Purchase and Assumption

The CBN and the NDIC sustained the Purchase and Assumption (P & A) arrangement for the resolution of insolvent banks that had their licences revoked on January 16, 2006, following their inability to scale through the banking sector consolidation programme.

In accordance with the terms of the P & A arrangement, the CBN, as at December 31, 2008, had issued Promissory Notes (P-Notes) totaling ₦40.45 billion to the acquiring banks to cover the shortfall between the assumed deposit liabilities and the cherry-picked assets of the 11 failed banks for which final court orders had been obtained for their liquidation.

Table 1
Resolution of Private Sector Deposits

S/N	Acquiring Bank	Assumed Bank	Assumed Private Sector Deposits	Value Of Assets Cherry Picked	NDIC Premium Released	Promissory Note Released By CBN	Total Deposits Equivalent Accessed
			1	2	3	4	(2)+(3)+(4)
			X	X	X	X	X
1	Ecobank	Allstates	22,660,655,731	2,699,165,274	1,761,394,788	12,431,350,911	16,891,910,973
2	UBA	Trade	7,372,134,218	1,644,434,000	414,500,446	3,954,818,776	6,013,753,222
3	Afribank	Lead	7,336,028,000	1,016,501,000	40,000,000	5,993,022,465	7,049,523,465
4	Afribank	Assurance	5,091,120,000	1,754,135,588	600,000,000	2,909,488,947	5,263,624,535
5	UBA	Metropolitan	2,553,846,496	250,391,690	101,185,000	1,667,272,699	2,018,849,389
6	UBA	City Express	10,886,597,255	680,032,000	222,000,000	8,015,389,574	8,917,421,574
7	Ecobank	Hallmark	12,045,315,966	10,758,715,956	300,000,000	107,000,000	11,165,715,956
8	UBA	African Express	1,354,373,636	150,000,000	40,000,000	873,965,656	1,063,965,656
9	Zenith	Eagle	890,807,327	1,110,291,179	-	Not applicable	1,110,291,179
10	UBA	Gulf	8,523,645,617	450,000,000	100,000,000	4,159,019,913	4,709,019,913
	UBA	Liberty	1,906,525,025	1,036,120,000	50,000,000	338,371,358	1,424,491,358
TOTAL			80,621,049,271	21,549,786,687	3,629,080,234	40,449,700,299	65,628,567,220

Also during the year, Ecobank Nigeria Plc acquired African International Bank Limited and commenced the verification of the bank's deposits. In that regard, the CBN was committed to issuing P-Notes totaling ₦10.9 billion, out of which it had issued ₦2.72 billion as at December 31, 2008.

The Federal High Court, in February 2008, ruled that the CBN should restore the operating licence of Societe Generale Bank Nigeria Ltd (SGBN) and give the bank time to recapitalize. As a result of this, the number of banks that had their licenses revoked dropped from 14 to 13.

As at end 2008, final court orders for the liquidation of two failed banks (Fortune International Bank Plc and Triumph Bank Plc) had not been obtained. Consequently, the banks could not be offered for resolution under the P & A arrangement.

Resident Examiner Programme

In order to strengthen the effectiveness of supervision, the CBN, in July 2008 approved the introduction of the Resident Examiner Programme with effect from January 2009. The programme was designed to enhance supervisors' knowledge of the banks, their risk profiles and to provide timely and continuous evaluation of their operations.

The CBN would continue to introduce appropriate regulations to ensure that the gains of the reform are sustained.

1.05 IMPLEMENTING THE CBN CODE OF CORPORATE GOVERNANCE

Introduction

The implementation of the CBN Code of Corporate Governance for banks in Nigeria has contributed immensely towards the improvement of governance practices in the industry. A survey conducted by the International Finance Corporation (IFC) in late 2007 indicated that the industry had witnessed greater commitment to corporate governance principles, as all Nigerian banks had embarked on one or more corporate governance initiatives. The survey found that:

- ◆ proper structure and formality in board processes existed in most banks;
- ◆ over 90 percent of board members possessed relevant qualifications;
- ◆ board committees had been created;
- ◆ formal board performance evaluation process was in place;
- ◆ transparency and information disclosure had improved; and
- ◆ audit functions and risk management procedures had improved.

Furthermore, family dominance and government influence in banks as well as industry ratio of non-performing director-related loans had substantially reduced.

Concerns and Challenges

Notwithstanding these achievements, the implementation of the Code posed some challenges, prominent among which were:

- ◆ ambiguities regarding the appointment and shareholding status of independent directors;
- ◆ government equity ownership;
- ◆ qualifications of the Head of Internal Audit; and
- ◆ signatories to statutory returns.

To address these challenges, the CBN employed both on-site and off-site supervisory procedures. Banks were requested to submit monthly compliance status reports while examiners undertook quarterly on-site verification exercise.

On-site verification reports of some institutions indicated non-compliance with some provisions of the code such as:

- ◆ succession plan;
- ◆ whistle blowing procedure;
- ◆ independent directors;
- ◆ reporting and business relationships of internal and external auditors; and
- ◆ remuneration for Executive and non-Executive Directors.

Other provisions of the Code presented genuine difficulties on which the banks expressed concerns. These included provisions on the board audit committee, certification of returns , external auditors' report on risk management, tenure of directors and auditors, and board appraisal.

These concerns and challenges are being articulated with a view to effecting necessary amendments to the Code.

1.06 REGULATORY EFFORTS IN THE FIGHT AGAINST MONEY LAUNDERING AND THE FINANCING OF TERRORISM

Stakeholders in the fight against money laundering and the financing of terrorism continued to collaborate at ensuring that the delisting of Nigeria from the list of non-cooperative and compliant territories (NCCTs) under the Financial Action Task Force (FATF) recommendations is sustained. To this end, the inauguration in July 2008, of the National Inter-Ministerial Committee on Anti- Money Laundering and the Combating the Financing of Terrorism (AML/CFT) provided a platform for enhanced cooperation among the stakeholders. The Committee had met thrice and the synergy from its efforts had up-scaled AML/CFT activities.

Furthermore, year 2008 saw the effective implementation of relevant laws enacted in 2007 to enhance accountability and transparency in government business with a view to strengthening anti-corruption efforts in Nigeria. Such laws include:

- Nigeria Extractive Industry Transparency Initiative (NEITI) Act;
- Public Procurement Act;
- Federal Inland Revenue Services (FIRS) Act;
- The Four Tax Reforms Acts;
- CBN Act;
- Statistics Act; and
- The Fiscal Responsibility Act.

These laws have reinforced the efforts of the CBN at ensuring that money laundering activities through the banking system is minimized. Other efforts undertaken during the year include the following:

Statutory Returns on AML/CFT

Financial Institutions and Designated Non-Financial Institutions continued to submit Currency Transaction Reports (CTRs), Suspicious Transactions Reports (STRs) and other related investigation reports to Economic and Financial Crime Commission/Nigeria Financial Intelligence Unit (EFCC/NFIU). The NFIU maintains a comprehensive database on all renditions from reporting entities.

International Cooperation

Nigeria being a signatory to all relevant UN Conventions on Money Laundering and Terrorism and Terrorist Financing, and Convention against Corruption (UNCAC), had been taking steps to freeze assets of suspected terrorists. The CBN, on its part, had been cooperating with international agencies in the fight against ML/CFT. It had also been circulating names of individuals and corporate bodies suspected of involvement with terrorism as received from the United Nations from time to time.

i. Memorandum of Understanding (MoU)

As part of international cooperation, the NFIU had been signing Memorandum of Understanding (MoU) with other countries on behalf of Nigeria. In 2008, the NFIU signed a total of eight MoUs with the underlisted countries while that with Australia was yet to be finalised:

- The Bahamas
- Netherland Antilles
- Romania
- Senegal
- South Africa
- The Russian Federation
- Ukraine
- Zimbabwe

ii. FATF Compliance Status

The mutual evaluation exercise of the AML/CFT regime in Nigeria was undertaken by The Inter-Governmental Action Group Against Money Laundering and Terrorism Financing (GIABA) between September 24 and October 5, 2007. The report of the exercise issued in May 2008, showed that out of the 40+9 FATF Special Recommendations, Nigeria was rated Non-Compliant (NC) in 20, Partially Compliant in another 20 and Largely Compliant in seven, while two were considered not applicable.

Criminalisation of Terrorism

Notwithstanding the powers of the CBN to freeze bank accounts of entities suspected to be involved with terrorism and/or terrorist financing, and the joint

investigation responsibility with the NFIU, EFCC, Department of State Services, Nigeria Intelligence Agency, Nigeria Police and NDLEA, terrorism and terrorist financing have not been adequately criminalized under the Nigerian legal framework. Nigeria ratified the UN Convention for the Suppression of the Financing of Terrorism on April 28, 2003, and had subsequently ratified seven out of the 13 UN Terrorism Conventions. However, Section 15 of the EFCC (Establishment) Act, 2004, was the only attempt by Nigeria to criminalize the financing of terrorism.

To strengthen the capacity of the EFCC, a draft anti-terrorism bill incorporating the requirements of the UN Security Council Resolutions 1267 and 1373, including specific provisions regarding freezing, confiscation and repatriation of terrorist related funds/assets, had been submitted to the National Assembly for enactment into law.

Sanctions

The CBN continued to enforce and monitor compliance with AML/CFT laws, while enforcing sanctions and penalties for breaches. As a result, financial institutions in Nigeria have realized the importance of adhering to AML/CFT laws and regulations and the enormous consequences of any breach.

Capacity Building

The CBN continued to build the capacity of its staff on AML/CFT issues. It also encouraged financial institutions to expose their staff to all AML/CFT laws, legislations and related obligations so as to ensure compliance at all times.

Conclusion

The image of the country is improving as a result of concerted efforts to reform the relevant bodies responsible for AML/CFT, and check the activities of drug traffickers, advance fee fraud perpetrators and money launderers. The efforts are bearing fruit as public confidence in the financial institutions and law enforcement agencies is rebounding.

Chapter Two

SUPERVISORY ACTIVITIES

2.01 OFF-SITE SUPERVISION OF BANKS AND DISCOUNT HOUSES

The CBN applied appropriate measures in the supervision of banks and discount houses during the year. The off-site supervisory activities focused on the following major areas:

(i) Statutory Returns

The periodic rendition of statutory returns of banks and discount houses was done electronically through the electronic Financial Analysis and Surveillance System (eFASS). The returns were analysed to ascertain the financial condition and performance of banks and discount houses, using financial indicators such as asset quality, liquidity, capital adequacy, earnings and loans to deposits ratios. Appropriate regulatory actions were taken to address areas of concern.

(ii) Board and Management

The CBN approved the appointment of 42 persons into the boards and top management positions of some banks and discount houses. It turned down the appointment of a few others on grounds of insufficient experience and unfavourable references from other regulatory and security agencies, among other reasons. Nineteen resignations from boards and top management positions of some banks were also recorded.

An Interim Management Committee that was put in place by the CBN in one of the banks in 2007 gave way to a substantive board of directors, following the successful acquisition of the bank.

(iii) Financial Statements

A total of 18 audited financial statements of banks and discount houses were approved for publication in line with the provisions of BOFIA.

(iv) Banks' Branch Network

Approvals were granted by the CBN for the opening of branches and cash centres during the period. The total number of branches and cash centres in operation as at December 31, 2008, was 5,134 as against 4,579 in the preceding year. Branch expansion was closely monitored to ensure that banks did not utilise depositors' funds for such investments.

(v) Credit Risk Management System (CRMS)

As at end 2008, the web-enabled CRMS database had an outstanding balance of N3.11 trillion, involving 60,273 borrowers, as against N2.13 trillion with a total customer base of 51,696 in the preceding year. The Naira value and number of borrowers recorded significant growths, reflecting increasing acceptability of the scheme and the growing confidence of the public in the banking system.

The guidelines for the establishment and supervision of private credit bureaux were issued by the CBN in October 2008. Three applications for licence had been received and were being processed as at year end.

(vi) Contraventions

In line with the provisions of BOFIA, the CBN continued to impose sanctions and enforce the payment of appropriate penalties on erring banks and discount houses.

(vii) Public Complaints against Banks

Several bank/customer-related complaints were received and referred to the Ethics and Professionalism Sub-committee of the Bankers' Committee for adjudication. Some complaints were resolved amicably among the parties.

(viii) Discount Houses

The performance of the five discount houses was monitored through the analysis

of statutory returns using the eFASS platform. The guidelines on the operation of discount houses were revised during the year. The financial outlook of the discount houses as at year end remained strong.

(ix) Fraud and Forgeries

As at December 31, 2008, 1,974 cases of fraud and forgeries, amounting to ₦24.49 billion and various other sums in foreign currencies were reported by banks. Seven hundred and forty-six of the cases, amounting to over ₦6.37 billion were reported to have been successful. Arising therefrom, 316 staff of deposit money banks were dismissed and 220 others had their appointments terminated.

(x) Enforcing Statutory Requirements

(a) Liquidity Ratio

The minimum liquidity ratio for banks was reduced from 40 to 30 percent during the year. Compliance with the prescribed minimum liquidity ratio of 30 and 60 percent by banks and discount houses respectively, was closely monitored on daily and monthly basis. Two banks failed to meet the minimum prescribed liquidity ratio of 30 percent in the month of December 2008.

(b) Capital Adequacy Ratio

Compliance with the capital adequacy ratio requirement of banks and discount houses was also monitored throughout the year. In the month of December 2008 two banks failed to meet the minimum prescribed capital adequacy ratio of 10 percent.

(c) Cash Reserve Requirement (CRR)

Towards the achievement of monetary stability, the CBN continued to utilise cash reserve requirement (CRR) as a tool for monetary control, to complement the Open Market Operations. The CRR which was calculated fortnightly varied between three and four percent from January – August 2008, but was reduced to two percent with effect from September 2008. Overall, the banking system exhibited good fundamentals, remained strong and continued to perform its intermediation function.

2.02 ON-SITE SUPERVISION OF BANKS AND DISCOUNT HOUSES

The CBN and the NDIC continued to collaborate on the on-site examination of banks and discount houses. The CBN conducted target examination on 14 banks and five discount houses while the NDIC examined 10 banks in 2008.

The major findings of the target examination were:

i) Risk Assessment

Significant progress had been made by most banks in the establishment of enterprise-wide risk management frameworks. An appraisal of some of the frameworks showed that they were adequate in depth and coverage; where there were exceptions, the banks were advised to correct them.

ii) Capital Adequacy

The banks had adequate capital to support their level of operations.

iii) Risk Asset Quality

Significant growth in lending activities was observed in all the banks examined. Loan to deposit ratio was higher than the prudential requirement of 80 percent. Credit administration was also poor in some banks. Facilities were allowed to exceed limits; while draw-down on facilities without full execution of loan agreements was still observed. Adequate review of facilities to ensure performance and/or provision was lacking while some delinquent facilities were not classified.

iv) Board And Management

In many of the banks, Board and Management oversight needed improvement as evidenced by lapses in risk asset quality, corporate governance and abuse of insider-related facilities.

v) Earnings

Most of the banks reported increased earnings and profitability due to increased lending and business diversification.

vi) Liquidity Management

The crisis in the capital market threatened the liquidity in the banking system due to banks' exposure to margin loans. The CBN took some actions, such as the stoppage of liquidity mop-up and reduction of liquidity ratio from 40 percent to 30 percent, to assist banks in their liquidity management.

vii) Foreign Exchange Operations

Some of the banks had their foreign lines reviewed downward by their foreign correspondent banks, which reduced supply of foreign exchange in the market and exerted pressure on the exchange rate.

viii) Report Writing Format

The format of examination report witnessed a significant change during the period under review. The new format was redesigned to suit the risk-based supervisory approach, reduce its volume without sacrificing the facts of the examination and bring out vividly ranking and assessment parameters.

2.03 SUPERVISION OF THE OTHER FINANCIAL INSTITUTIONS SUB-SECTOR

In the pursuit of its mandate for the sustained safety, soundness and orderly development of the financial system, the CBN undertook both regulatory and supervisory activities on the Other Financial Institutions (OFIs) sub-sector. The scope of the supervisory work covered all 2,321 OFIs, comprising 840 Microfinance Banks (MFBs), 113 Finance Companies (FCs), 99 Primary Mortgage Institutions (PMIs), 1,264 Bureaux de Change (BDCs) and 5 Development Finance Institutions (DFIs). The total number represented an increase of 59.63 percent over 2007 position of 1,454.

Highlights of the on-site examination carried out during the year are as follows:

Microfinance Banks

Maiden/post conversion examinations were conducted on 430 MFBs to ascertain compliance with their business plans and the extant rules and regulations. The exercise showed that the institutions, on the average, were well capitalized and liquid. However, average portfolio-at-risk (PAR) of 33.4 percent far exceeded the prescribed maximum of 2.5 percent, indicating poor asset quality. The high level of PAR was largely accounted for by the non-performing credit facilities carried over from the community banking era by the erstwhile community banks that converted to microfinance banks. Also, corporate governance was generally weak in the MFBs. The reports indicated the need for greater focus on capacity building in order to assure the long-term sustainability of the MFB initiative.

Primary Mortgage Institutions

A total of 67 PMIs were examined in 2008 compared to 39 in 2007. The examinations, which were carried out under a collaborative arrangement with the NDIC, revealed a preponderance of commercial assets over mortgage assets, an indication that the operational focus of these institutions was still not on their core mandate to promote housing finance/mortgage banking. Regular prudential

returns were received from 80 PMIs compared to 72 in 2007. Fifteen PMIs were penalized for late and non-rendition of returns and late submission of audited accounts for approval during the year.

Finance Companies

On site examinations on 77 out of the 113 licensed FCs revealed that 55 of the institutions were actively involved in finance company business, 22 had either ceased operations, were undergoing restructuring or mainly engaged in capital market activities. Issues of regulatory concern included under-capitalization, poor corporate governance and skill gaps on the part of operators. In addition, pre-licensing inspections were carried out on three FCs that were operating with Approvals-in- Principle.

Bureaux de Change

Spot checks on 182 BDCs revealed that a number of the institutions were in breach of the set guidelines, especially in the area of the mark-up margins and the utilization of foreign exchange allocations.

Development Finance Institutions

The trend of deteriorating asset quality persisted in the four reporting DFIs that were examined during the year. The boards of the DFIs, which were dissolved by the Federal Government, were yet to be reconstituted as at end 2008.

The fifth DFI, following its privatization in 2006, was still undergoing restructuring as at year end.

2.04 HIGHLIGHTS OF THE ACTIVITIES OF THE BANKERS' COMMITTEE

The activities of the Bankers' Committee were geared towards strengthening the banking system. Highlights of the activities are stated below:

Bank Security

The Bankers' Committee handed over 26 Armoured Personnel Carriers to the Nigeria Police in furtherance of its commitment to complement efforts at securing and protecting the banks.

Common Accounting Year-end

The Bankers' Committee meeting of January 2008 adopted December 31st as the common financial year-end to take effect from December 2008.

Following developments in the economy, especially the misplaced perception that the interest rate trends were linked to the requirement of a common year-end, the CBN cancelled the policy vide a circular BSD/DIR/CIR/Gen/Vol.2/08 of August 25, 2008. Banks and discount houses were thus, permitted to adopt year-ends as they deemed appropriate and inform the CBN accordingly.

Micro Credit Fund (MCF)

The Micro Credit Fund (MCF), an initiative of the Bankers' Committee, was launched by the President, Alhaji Umaru Musa Yar'adua, GCFR, on February 12, 2008, to ensure increased access to financial services by micro, small and medium enterprises. The MCF was initiated to address some of the challenges experienced under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS).

As at September 15, 2008, 12 state governments had set aside the sum of ₦9.48 billion for micro finance activities in their states while a number of them had made disbursements through selected MFBs and the Nigerian Agricultural Cooperative and Rural Development Bank.

Seminar for Judges

The 8th Annual National Seminar on Banking and Allied Matters for Judges was held in December 2008. The seminar with the theme: “Rule Of Law And Banking Practice In Nigeria” drew participants from the banks, CIBN, Judiciary, NDLEA, EFCC, the Nigeria Police, CBN and NDIC.

A total of six papers were presented at the seminar, namely:

- The Rule of Law And Economic Performance
- Corporate Governance and Ethics – Post Merger Challenges in Banks
- Banker-Customer Relationship
- Achieving Quicker Dispensation of Banking Cases in the Law Courts
- Private Banking Practices in Nigeria – Issues, Challenges and Prospects
- Enforcement of Fundamental Human Rights – Implication for Credit Administration and Management in Banks

Relevant issues affecting all the stakeholders were adequately addressed.

Self Regulation

One hundred and five disputes were resolved by the Ethics and Professionalism sub-committee, six cases were at various stages of resolution while four were taken to court.

Banks were encouraged by the Committee to adhere to Know-Your-Customer principles in addition to the provision of caution notices in the clearing of cheques. They were also advised to install strong controls over ATM operations.

The Bankers’ Committee continues to provide a forum for bank Chief Executives to share information and experience.

Chapter Three

ISSUES IN SUPERVISION

3.01 EFFORTS OF THE CBN AT AVERTING THE CREDIT CRUNCH IN NIGERIA

Credit crunch is a sudden reduction in the general availability of credit or a sudden increase in the cost of obtaining credits from financial institutions. It is caused by a combination of factors such as:

- Anticipated decline in the value of collaterals used to support credits;
- Increased perception of risk regarding the solvency of another bank within a banking system; and/or
- Changes in monetary conditions.

Credit crunch is usually preceded by a period of careless and inappropriate lending, which results in losses to investors in debt instruments and lending institutions as a result of the facilities going bad with the full extent of the delinquent facilities becoming unknown.

A major consequence of credit crunch is that it triggers liquidity crisis within an economy such that otherwise sound businesses are temporarily incapable of accessing required working capital financing or implementing cash flow projections.

The current credit crunch, which has affected the world financial system, arose as a result of the subprime mortgage crisis in the USA. This, however, turned into a worldwide economic downturn with devastating effects in the developed and developing worlds, thereby requiring immediate intervention of governments and financial system regulators in order to avert economic depression.

Incidentally, no Nigerian bank including the three foreign owned banks, as at end 2008, reported any subprime related exposures. It was on this basis that the regulatory authorities in Nigeria affirmed that the country's banking system was not directly exposed to the subprime mortgage crisis.

However, stock prices tumbled significantly in Nigeria. The market capitalization of the Nigerian Stock Exchange crashed from over ×13 trillion as at end 2007 to about ×6 trillion as at end 2008. Furthermore, capital inflow into Nigeria understandably declined as some foreign banks recalled funds placed for on-lending in Nigeria to shore up their liquidity at home.

Regulatory Efforts by the CBN at Averting the Crisis

The CBN, in recognition of the growing financial and real linkages of the Nigerian banking system with the rest of the world, held a special Monetary Policy Committee meeting on September 18, 2008. The meeting reviewed the stance of monetary policy in the light of evolving economic and financial developments in the domestic and international economies.

The Committee noted that, in spite of the decline in the international price of crude oil, the economic fundamentals in Nigeria as at end August 2008, were strong, with foreign exchange reserves of US\$63 billion; growth in broad money (M2); growth in credit to the private sector at an annualized rate of 70.6 percent; and growth in non-oil GDP at over eight percent.

The CBN, however, acknowledged the increase in interest rate in August 2008, which was due to pressure of liquidity in the financial and inter-bank markets. To this end, it decided on a menu of actions to ensure that the financial system remained liquid.

Accordingly, the CBN decided to:

- Reduce the Monetary Policy Rate (MPR) from 10.25 percent to 9.75 percent;

- Reduce the Cash Reserve Requirement (CRR) from four percent to two percent;
- Reduce the Liquidity Ratio from 40 percent to 30 percent;
- Allow Repurchase (Repo) transactions against eligible securities for 90 days, 180 days and 360 days; and
- Buy and sell securities through the two-way quotes.

The CBN also affirmed its readiness to take appropriate actions to ensure the smooth functioning of the financial markets and the economy in general. In that regard, the CBN suspended liquidity mop-up with effect from September 2008 and expanded the discount window to cover eligible securities other than Treasury Bills and Bonds for tenor up to 360 days.

The current global crisis, which started as a financial crisis in the USA has turned into a global economic crisis. Governments and regulatory authorities all over the world are concerned. There is unanimity that all jurisdictions should put in place necessary policies to avert a great depression akin to that of the 1930s.

The CBN, in response to possible threat enunciated a number of policy measures to contain the threat of credit crunch in the Nigerian banking system while the Securities and Exchange Commission (SEC) had earlier put in place a number of capital market safeguards to arrest the deteriorating stock values in the market.

3.02 DEPLOYMENT OF RESIDENT EXAMINERS TO BANKS

As part of the efforts to reposition the Nigerian banking system, the CBN had, at different fora, sensitized the industry of its intention to deploy Resident Examiners (REs) to deposit money banks. Accordingly, the CBN, on December 31, 2008, issued a circular to all deposit money banks, on the deployment of REs. REs are bank supervisors deployed by regulators to work at the operators' premises in order to monitor the observance of safe and sound banking practices and compliance with banking laws, regulations, guidelines and circulars issued by the regulatory authorities.

Objective of Resident Examination

The primary objective of deploying REs to banks is to provide real-time and continuous evaluation of the risks posed by the banks' operations. The programme places emphasis on the evaluation of a bank's risk management system and controls as opposed to performing transaction testing and asset valuation (e.g. loan reviews) that take place during conventional examinations. The REs would continually monitor and assess a bank's financial condition and risk management system through the review of management reports and meetings with bank officials.

This continuous access to Management and the risk management system allows REs to respond more quickly to emerging problems than would be possible with an annual examination approach. As a result of the REs' continuous interaction with the bank, the regulatory authorities generally observe shifts in risk profile or strategic directions well in advance.

The duties of the Resident Examiner are to, among others:

- ◆ Continually monitor the bank's financial condition and risk management system through the review of management reports and meetings with bank officials;
- ◆ Determine the condition of a bank, using CAMELS parameters, and identify areas requiring corrective action;
- ◆ Evaluate the overall integrity and effectiveness of the bank's risk management system, using periodic validation through transaction testing;
- ◆ Obtain bank management's commitment to correct significant deficiencies and verify that corrective actions are taken in a timely and successful manner;
- ◆ Ensure that current and prospective issues that affect the bank's risk profile or overall condition are identified and appropriate supervisory strategies developed;
- ◆ Constantly communicate with the CBN and bank management on areas of concern. Communication with the bank includes formal and informal discussion and meetings, examination reports, and other documents;
- ◆ Maintain frequent contact with the business and risk managers of the bank to enable close monitoring of market conditions, investment and funding activities;
- ◆ Review the bank's risk selection and management processes with a view to taking action whenever necessary to correct weaknesses;
- ◆ Provide inputs on various regulatory issues that require broader responses with a view to strengthening the supervisory process;
- ◆ Monitor prompt implementation of previous examination exceptions;
- ◆ Ensure compliance with prudential/regulatory requirements such as liquidity ratio, capital adequacy, lending limits, CRMS etc; and
- ◆ Submit reports to the CBN on meetings attended with board and management.

Advantages of Deploying REs to Banks

The advantages of deploying resident examiners to banks include:

- ◆ Ensuring supervisory policies and processes that would tailor supervision to the unique characteristics of each bank. This would result in a customized supervisory approach that reflects the banks' underlying risks in line with risk based supervision;
- ◆ Allowing the supervisor to respond appropriately to emerging risks and issues in individual institutions within business segments or across the banking industry as a whole;
- ◆ Enabling supervisors to monitor the observance of safe and sound banking practices and compliance with banking laws, regulations, guidelines and circulars issued by the regulatory authorities;
- ◆ Granting the supervisors timely and easy access to “whistle blower(s)” on critical happenings in the banks;
- ◆ Giving the supervisors better oversight on activities that cannot be effectively supervised by a combination of regular examinations and periodic rendition of returns;
- ◆ Quick resolution of the problems that may arise in intervening periods between examination and rendition of returns during which banks may undertake actions that could jeopardize supervisory effectiveness thereby causing problems in the system; and
- ◆ Prompt monitoring of corrective actions.

Exceptional Powers of the REs

In addition to the powers of regular Examiners, the Resident Examiner shall have power to:

- i. Attend Board meetings, Board Committees and Management meetings as an observer without hindrance, whenever deemed necessary; and
- ii. Call meetings of the bank's top management to discuss exception reports, and unsound and unsafe banking practices.

Challenges to the Deployment of REs

Expectedly, there are a number of challenges to the implementation of the RE programme. They include the possible perception as to whether the programme constitute a regulatory over-kill; the moral hazard of the supervisors being involved in the day-to-day management of the banks; the willingness of the banks to accept the programme; and the tendency of REs to be absorbed by the banks.

The CBN, mindful of the challenges, has put in place appropriate measures, including the limitation of the tenor of the REs to a maximum of two years and the prohibition of their employment by the bank during the period of the residency and two years thereafter.

The policy would become effective on January 5, 2009, when REs would be deployed to all the twenty four deposit money banks.

3.03 MICROFINANCE CERTIFICATION PROGRAMME

Introduction

The principal objective of the National Microfinance Policy, Regulatory and Supervisory Framework is to widen and deepen access to financial services for the large productive segment of the population that had been under-served or excluded from the services provided by the formal financial system.

To achieve this objective, the framework recognized the need to address the weaknesses that militated against the successful operations of the erstwhile community banks. Notable among these weaknesses were unsound corporate governance practices and skill gaps.

It was against this background that section 11.6 of the policy stipulates that a microfinance bank (MFB) management certification programme be put in place as a core element of the implementation strategy. This is to enhance the acquisition of appropriate operational skills by the operators and regulators of MFBs.

Objectives of the Certification Programme

The objectives of the certification programme are to:

- provide appropriate standards for the microfinance sub-sector, in line with international best practice;
- build the capacity of the microfinance practitioners;
- offer all microfinance practitioners the opportunity to be certified;
- create a strong professional and self sustaining microfinance certification process;
- build capacity for the regulators to enable them effectively supervise the microfinance banks; and
- ensure that microfinance banking is effectively carried out to meet the policy target of poverty reduction.

Types of Training

The certification programme would involve two types of training, namely:

- train-the-trainer programme, by international experts; and
- training of supervisors and operators of MFBs by WAIFEM, FITC and other training service providers.

The training programme, which would be partly funded by the CBN/NDIC, comprises a one-year pilot phase, followed by another phase of two years duration. The third phase entails the attainment of operational self sufficiency as the CBN/NDIC withdraw their subsidies and the programme becomes self-sustaining. There would be modular training programmes for trainers, regulators, supervisors, operators and directors under the certification scheme.

The trainers' module is directed towards expanding knowledge of best practice in microfinance. It is aimed at training and accrediting trainers of the microfinance operators and regulators. This module is to enhance the capacity of local instructors who, after certification, would be able to conduct training programmes for the certification of operators and regulators.

The training module for regulators and supervisors has been created to capture the skills and competencies critical to the effective examination and supervision of MFBs. It is broken into four modules. The first two modules constitute the foundation level, while the last two shall make up the final level.

The training module for operators is structured to make them understand the basic factors that shape the environment of micro-entrepreneurs and the type of services they require to advance their socio-economic growth. The syllabus focuses on understanding basic credit and saving instruments, business skills, production technologies, marketing and corporate governance.

There would be two levels of six weeks each. Each level of the curriculum shall be examined twice a year during the months of April and October.

The training programme for non-executive directors shall be in streams of five working days and would focus on the microfinance concept as well as issues on good corporate governance.

The CIBN would be responsible for the examination and certification of the operators during the programme, while the training would be handled by accredited training service providers through a competitive bidding process and after undergoing the train-the trainer programme.

The CBN, in collaboration with development partners, would appoint a technical advisor to strengthen and bring appropriate skills to bear on the programme. The programme would be supervised by the National Microfinance Consultative Committee (NMFCC) under the Chairmanship of the Deputy Governor, Financial Sector Surveillance and would be coordinated by the Other Financial Institutions Department of the CBN.

3.04 EFFORTS BY THE CBN TO CURB THE ACTIVITIES OF ILLEGAL FUND MANAGERS/'WONDER BANKS'

Following the upsurge in the number of companies operating as illegal fund managers in the country, the CBN launched investigations into the activities of some identified companies. The investigations revealed that a number of the companies were involved in the illegal business. As a preliminary measure, the balances in their bank accounts were determined, the accounts frozen; and the cases transferred to the EFCC for necessary action.

To enlighten the members of the public on the dangers of continued patronage of illegal fund managers, a list of the finance companies licensed by the CBN was published repeatedly in newspapers nationwide, and members of the public advised to transact business with licensed financial institutions only.

In order to adopt a holistic approach to deal with the menace, which had become an issue of national concern, an Inter-agency Committee on Illegal Fund Managers/'Wonder Banks' comprising the CBN, NDIC, SEC, CAC, EFCC and the Nigeria Police was established at the instance of the CBN, in February 2008, to enhance collaboration among the relevant agencies of government. The broad objectives of the Committee were to:

- put in place an appropriate mechanism for inter-agency collaboration to stop the activities of wonder banks and prevent a resurgence in the future;
- map out modalities for pursuing cases against offending companies at the Investments and Securities Tribunal; and
- establish procedures for returning the trapped funds to the depositors/investors of the illegal fund managers.

An implementation sub-committee was set up by the main committee to ascertain the liabilities of each of the companies and propose procedures for repaying the trapped funds. Following a newspaper publication, members of the public who

had invested/deposited funds with the illegal fund managers/'wonder banks' submitted claims against 417 companies.

The resolution of the claims remained a huge challenge to the Committee as a result of the large number of companies involved, the quantum of claims, the complex verification procedures and the determination of the tangible assets of the illegal fund managers. Also, series of litigations had been instituted by the illegal fund managers and/or investors/depositors against the CBN, some banks and other regulatory bodies. Some of these litigations had led to the payment of claims on the order of the courts, thereby frustrating the efforts of the Committee.

However, measures had been put in place to surmount these challenges with a view to resolving the claims. Also, plans are underway to embark upon a massive nationwide media campaign in 2009, to discourage members of the public from patronising illegal finance companies.

The CBN would continue to intensify efforts to curb the activities of illegal fund managers/'wonder banks' in the country.

3.05 EFFORTS TOWARDS THE IMPLEMENTATION OF BASEL II

The CBN/NDIC, in 2008, continued with activities aimed at implementing Basel II in Nigeria. A memorandum to that effect was presented to the Bankers' Committee to get its buy-in.

The Committee on Basel II identified some key success factors necessary for the implementation of the Accord. These included:

- Constitution of Basel II implementation organs, namely, Basel II Steering Committee, Basel II Project Team and Basel II Work Groups (with membership from regulators, external auditors and operators);
- Implementation of robust risk management systems in banks;
- Establishment of functional rating agencies;
- Conduct of gap and impact analysis;
- Collation of data on loss events;
- Capacity building for both regulators and operators;
- Strategy retreats to review progress and chart the way forward, at intervals;
- Awareness campaign; and
- Setting up of functional credit bureaux.

The Project Implementation Team is to:

- Implement the decisions of the Steering Committee;
- Carry out the day-to-day work for the implementation of Basel II;
- Serve as a clearing house for, and coordinate the activities of the work groups; and
- Liaise with the Steering Committee, the Work Groups and other stakeholders.

The preparatory work for implementation has reached an advanced stage with the planned constitution of the Steering Committee, the Project Team, the Work Groups and the engagement of consultants to facilitate the implementation of the Accord.

The seven work groups, which would work on a full-time basis, would cover such critical areas as credit risk, operational risk, market risk, asset securitization, supervisory review and regulatory framework, disclosure and accounting standards as well as law and rating agencies.

The Basel Committee on Banking Supervision (BCBS) and the Reserve Bank of India were contacted with a view to getting their support and gaining insight into the practical aspects of the implementation of Basel II. Also, it is expected that these institutions would provide necessary guidance and assistance in the areas of training, experience sharing and attendance of seminars and conferences organized by BCBS /FSI.

The implementation of the Basel II in Nigeria would be in line with the recommendation of the Basel Committee, that each national supervisor should consider carefully the benefits of the Basel Framework in the context of its own domestic banking system in developing a timetable and approach to implementation.

The Accord is expected to build on the solid foundation of prudent capital regulation, supervision and market discipline, and further enhance risk management and financial stability in the country.

Chapter Four

FRAMEWORK FOR SUPERVISION

4.01 EVOLUTION OF BANKING SUPERVISION IN THE CENTRAL BANK OF NIGERIA OVER THE PAST 50 YEARS (1959 - 2008)

The CBN commenced operations in July 1959 with a “Scrutiny Section” whose primary responsibility was the off-site supervision of banks, while on-site examination functions resided in the Banking Examination Department (BED) of the Federal Ministry of Finance [FMF]. This arrangement subsisted until December 1965.

In January 1966, the CBN fully took over the function of bank supervision, with the BED transferred to the CBN and merged with the Scrutiny Section. Subsequently, an autonomous Bank Examination Department (BED) was created in 1967. The BED operated with two offices, Bank Examination and Scrutiny Offices, from 1967 to 1976.

The search for an appropriate nomenclature and structure for the functions and responsibilities of the department led to the adoption of Banking Supervision Department (BSD) and the creation of three divisions; Central Supervision, Field Examination, and Financial Sector Development Divisions, in 1977. A fourth division, the Foreign Exchange Inspectorate Division, was created in 1984, to supervise the activities of authorised dealers, sequel to some developments in the foreign exchange market.

The liberalization of the banking sector, as a result of the Structural Adjustment Programme introduced in 1986, led to an upsurge in the number of banks and other financial institutions in the system with a consequent challenge on the capacity and effectiveness of supervision. Thus, the BSD was split into two departments, BED and BSD, and assigned On-site and Off-site supervisory responsibilities, respectively.

The new BSD had four divisions comprising the Banking Development Division with Surveillance, Policy and Staff Development offices; the Central Regulation Division with Information and Applications, and Bankers' Committee Offices; the Other Financial Institutions Division with Analysis, and Statistics and Information Offices; and the Prudential Analysis Division made up of Scrutiny I and Scrutiny II Offices, Credit Risk Management Bureau, and Administrative Unit. During this period, the BED had four divisions, viz; Commercial Banking Division (CBD); Merchant Banking and Other Financial Institution Division (MBOFID); Foreign Exchange Inspectorate Division (FEID); Monitoring, Enforcement & Administration Division (MEAD)

Emerging developments in the banking system continued to compel the CBN to restructure its supervisory roles so as to remain relevant in the efficient and effective supervision of the system. The Banks and Other Financial Institutions Act (BOFIA) was enacted in 1991 to strengthen the functions of supervision while the BSD was further restructured in 1992 with the creation of a new division, realignment of functions and change in the names of some divisions. Central Regulation Division had Finance Companies, Information and Application, Bureau de Change, Advert and New Products offices; Surveillance Division had Policy Evaluation, Problem Banks, Inter-agency Relations, and Bank Rating Offices; Prudential Analysis Division had Statistics, Financial Analysis and Branch Expansion Offices; and a new division called the Credit Risk Division with EDP and Credit Risk Offices was created.

Prior to the enactment of the BOFIA in 1991, the regulation and supervision of the financial system by the CBN was limited to the banking industry. Other financial institutions (OFIs) were not supervised at all. The BOFIA, therefore, incorporated OFIs under the regulatory purview of the CBN.

Subsequently, a new department, the Other Financial Institutions Department [OFID] was created in 1993 to take over the off-site and on-site supervision of other financial institutions from BSD and BED, respectively. However, some OFIs like the erstwhile community banks, the Development Finance Institutions, and

primary mortgage institutions had other supervisors other than the CBN. To facilitate coordinated and through supervision of the whole OFIs sub-sector, the Federal Government in 1997 transferred the regulation and supervision of the entire OFIs sector to the CBN while the 1999 amendment to the BOFIA gave the CBN the statutory powers for the licencing, regulation and supervision of the OFIs.

Further, the CBN in August 1999 embarked on a comprehensive restructuring exercise called the Project EAGLES, (acronyms for **E**fficiency, **A**ccountability, **G**oal Orientation, **L**eadership, **E**ffectiveness and **S**taff Motivation). The exercise resulted in a reduction in the number of departments in the bank to ensure effective and proper alignment of functions. OFID was retained as a Department while the BED and BSD were fused to form a Banking Supervision Department with on-site and off-site responsibilities. The new BSD adopted a team based structure for supervision in August 2000, in line with the recommendations of the International Monetary Fund (IMF) and World Bank. This was to ensure a holistic approach to supervision through a structure that will proactively and effectively achieve the objectives of supervision. Subsequently, the OFID finally assumed its supervisory role in April 2001.

Composition of Other Financial Institutions

The OFIs under the regulatory purview of the CBN has supervisory and regulatory responsibilities for the following institutions:

- a) Development Finance Institutions (DFIs), presently made up of:
 - i. The Bank of Industry Limited (BOI)
 - ii. The Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB)
 - iii. The Nigerian Export Import Bank (NEXIM).
 - iv. The Federal Mortgage Bank of Nigeria (FMBN).
 - v. The Urban Development Bank of Nigeria (UDBN)- privatized in 2007 and currently undergoing restructuring.
 - vi. The Education Bank of Nigeria (also under restructuring currently).
- b) Finance Companies (FCs):
- c) Bureaux de Change (BDCs):

- d) Primary Mortgage Institutions (PMIs):
- e) Microfinance Banks (MFBs): and

With the coming into effect of OFID, the activities of the OFI sub-sector had been fundamentally structured and coordinated, while deserving institutions had been licenced and minimum capital requirements put in place for the various segments of the sector. The reform and restructuring of the sector is on-going. The reform of the community banks (CBs) had been concluded with the conversion of the CBs that met the criteria to microfinance banks. The operations of the Primary Mortgage Institutions (PMIs), and Bureaux de change had been streamlined. Capacity building workshops for operators and managers of the OFIs are continually being carried out to build competencies and upscale skills in the industry.

Strategies And Tools Deployed for Effective Supervision

In dealing with its supervisory responsibilities, the CBN adopts best practice in addition to proactively developing some innovative approaches to meet its needs. Some of these strategies and tools include the following:

- The establishment of the Other Financial Institutions Department (OFID) April 2001 to deal with the challenge of effective supervision of the OFIs.
- Deployment of e-FASS in the supervision of banks and OFIs.
- Implantation of the banking sector reform/consolidation programme.
- Issuance of Code of Corporate Governance.
- The adoption of a risk-based approach to supervision of banks and the OFI sub-sector.
- Enactment of BOFIA 1991 and subsequent amendments to strengthen the regulatory powers of the CBN.
- Establishment of the NDIC in 1988 to insure deposits.
- Introduction of new capital adequacy requirements, based on risk-weighted assets, consistent with the Basel Capital Accord.
- Issuance of prudential guidelines to compel banks and OFIs to adopt a uniform standard for risk asset classification, loan loss and off-balance sheet commitments provisioning and recognition of interest income.

Challenges to Supervision

In carrying out its regulatory and supervisory roles, the CBN is faced with the following challenges, among others:

- Low capital base of the OFIs, which inhibit their ability to play the desired economic and developmental roles especially in the area of access to finance to Micro, Small and Medium Enterprises (MSMEs);
- A large number of institutions, which require huge financial and personnel supervisory resources, especially in the OFI sub-sector;
- Inadequate supervisory capacity (skills, equipment etc) to cope with the large number of supervised institutions spread across the country,
- Pervasive unethical practices and poor corporate governance by operators,

Notwithstanding these drawbacks, a strong banking supervision in the CBN has evolved over the past 50 years and has contributed significantly to the promotion of stability in the financial system. The CBN would continue to restructure and reform its supervisory process to meet with the increasing challenge of supervision.

4.02 TOWARDS THE IMPLEMENTATION OF PRIVATE CREDIT BUREAUX IN NIGERIA

In line with the practice in some jurisdictions and to address the challenges facing the CBN CRMS, namely, its limitation to only banks and the non-coverage of some sectors of the economy, the decision to allow private ownership of credit bureaux was implemented during the year. This decision was aimed at complementing the CBN CRMS in monitoring credits in the financial system and ensuring easy access to credits. To facilitate the process, the CBN relied on Section 57 of the CBN Act, 2007 which empowers it to licence and regulate private credit bureaux operators in Nigeria.

Consequently, a committee was set up to prepare the guidelines on the licensing, operational and regulatory requirements for private sector-run credit bureaux in Nigeria. In preparing the guidelines, the Committee took cognizance of global best practice in credit bureaux operations as well as the environmental peculiarities of the country. Also, inputs and contributions were received from various stakeholders including the World Bank MSME project, the IFC, individuals and corporate organizations that indicated interest in credit bureaux operations in Nigeria.

The guidelines were issued and posted on the CBN website, in October 2008, the major highlights were as follows:

1. Licensing Requirement:

Investors wishing to operate credit bureaux shall satisfy the following conditions:

- a) Submit a formal application and detailed feasibility report with a non-refundable application fee of ₦250,000.
- b) A minimum capital requirement of ₦500 million to be deposited in an escrow account with the CBN; 50 percent of which will be returned on grant of Approval-in-Principle, while the balance of 50 percent with accrued interest will be returned on grant of final licence.

2. Operational Procedures of Credit Bureaux

- a) Permissible Purpose:** Access to credit information from credit bureaux should be for a permissible purpose such as court order or arbitration, terms of any form of credit/acceptance of guarantees, credit scoring, written consent from the client, legislation, public interest and government or its agencies.
- b) Data Collection:** A licensed credit bureau shall collect information on the background and credit history relating to the commitments of persons, enterprises and other organizations, in order to determine their overall debt exposure and capacity/ability to repay. Such data can be collected from banks and other financial institutions operating in Nigeria, CBN CRMS, mortgage finance companies, financial/operating leasing companies, insurance companies, institutions that offer credit to medium, small and micro enterprises, asset management companies, suppliers of goods and providers of services on a post-paid or instalment payment basis e.g. telecommunication, water, health, energy etc., other credit bureaux licensed by the CBN, other entities that have data and information that serve the purposes of the credit bureaux.
- c) Information Dissemination:** A credit bureau shall provide credit information services to authorised users and any other body as may be determined by the CBN from time to time. Every bank must have data exchange agreement with at least two credit bureaux.
- d) Responsibilities of Credit Bureaux:** A credit bureau shall be responsible for the implementation of strict quality control procedures in order to ensure the quality, accuracy of information and reliability of its database.
- e) Data Retention period:** A credit bureau shall maintain a historical data covering a 5-year period for the purpose of providing detailed credit
-

information, and shall keep the database for a period of not less than 10 years after which it shall be archived. It shall also implement procedures and systems that ensure that the information registered in its database is updated on an on-going basis and in standardized formats.

- f) **Fees and Charges:** A credit bureau shall charge fees for its services.
- g) **Unique Identifier:** A credit bureau shall make use of a unique identifier to replace the name of the holder/data subject, as a means of protecting his/her identity and also ease data collection, collation, processing and dissemination of information.
- h) **Submission of Returns/Audited Accounts and Supervision:** A credit bureau shall submit to the CBN on a monthly basis, details of its activities as specified by the CBN, 10 working days into the following month. The credit bureau shall also submit its audited accounts not later than three months after its year-end for approval by CBN for publication. It shall be subjected to annual examination of its activities by the CBN. The CBN, shall have unrestricted access to all the information managed by the bureaux for the purpose of supervision and utilize the information collected solely for the purposes set out in the guidelines.
- i) **Compliance with Guidelines:** A credit bureau shall comply strictly with the provisions of the guidelines. Contraventions or non-compliance shall attract appropriate sanctions.
- j) **Dissolution, Liquidation and Revocation of Licence:** Where a credit bureau is to be dissolved, it shall notify the CBN in writing. The CBN shall conduct an investigation of the credit bureau and the credit bureau shall deliver its/any database containing information to the

CBN. A credit bureau shall not transfer, directly or indirectly, any database containing information to any person other than the CBN or its nominated recipient.

3. The Role of CBN Credit Risk Management System (CRMS)

The CBN CRMS shall continue to serve its regulatory functions, operate as a public credit registry and would, therefore, share its information with the licensed credit bureau. Banks and other financial institutions shall continue to render the mandatory returns and comply with the provision of all relevant circulars and guidelines.

Addendum: The CBN shall not be liable or joined in any dispute(s) arising from wrong information given in respect of a credit report by a bank or a credit bureau.

Following the release of the guidelines, applications from corporate bodies for the establishment of credit bureaux had been received and were being processed pursuant to the issuance of operating licenses. There is no doubt that the smooth take off and supervision of private credit bureaux would pose some challenges to the regulatory authorities and stakeholders. Principal among the challenges are the absence of an acceptable unique identifier in Nigeria, lack of public awareness of the relevance and operational modalities of credit bureaux, absence of reliable and accurate data collection and dissemination methods, and absence of consumer rights and protection laws. These challenges are, however, surmountable.

Going by the plan of the CBN, private credit bureaux are expected to commence operations in Nigeria in the second quarter of 2009.

4.03 EFFORTS TOWARDS INTRODUCING NON-INTEREST BANKING IN NIGERIA

Non-interest banking involves the provision of financial products and services that comply with the principles and rules of Islamic commercial jurisprudence. It prohibits usury, the payment of fees for the renting of money, as well as investing in businesses that provide goods or services considered contrary to its principles. Transactions and contracts under this type of banking are non-permissible if they involve:

- interest;
- uncertainty or ambiguity relating to the subject matter, terms or conditions;
- gambling;
- unjust enrichment; and/or
- exploitation/unfair trade practices.

Given the increasing number of banks and other financial institutions desiring to offer sharia-compliant products in Nigeria, the CBN has taken the following steps to provide an enabling environment for the development of the new banking practice:

- capacity building in Islamic banking;
- participation in the annual Islamic Finance Conference of the Durham University, United Kingdom to gain insight into global developments on the concept;
- applied for membership of the Islamic Financial Services Board; and
- indicated interest in joining the Islamic Finance Information Services.

Furthermore, an eight-member Committee was constituted by the CBN to develop a regulatory and supervisory framework on the subject. Following the Committee's preliminary review of the practices in other jurisdictions, the need to build capacity, through training and exposure, was identified. Consequently, the Committee undertook a study tour to Kuala Lumpur, Malaysia from July 14 – 26, 2008.

The choice of Malaysia for the study visit was informed by its current position as a leading Islamic financial centre in the world, with a robust regulatory and institutional infrastructure and home to global standard-setting and learning institutions on Islamic finance.

The visit commenced with a conference in the first week during which notable scholars, experts, regulators and bank operators made presentations and shared their experiences and perspectives with the CBN delegation. The conference covered a broad spectrum of issues in Islamic finance and banking, ranging from the overview of Islamic finance, regulatory issues to developments and practices of Islamic finance and banking across the globe.

In the second week, the Committee visited key regulatory and banking institutions, such as the Bank Negara Malaysia, the Islamic Financial Services Board, CIMB Islamic Bank and Standard Chartered Bank (Islamic Operations).

The study tour was significant as it afforded the Committee an opportunity to validate and seek clarifications on some of the issues arising from the conference, and experience first-hand the regulatory and operating environment in Malaysia. The Committee also used the visit to network and establish strategic links with key institutions in Malaysia.

The knowledge gained assisted the Committee in its effort at preparing a draft framework. It is expected that the regulatory/supervisory framework as well as the accompanying guidelines would be issued in the first quarter of 2009. Also, an international conference on non-interest banking is being planned to create awareness in the new field.

Developing the non-interest banking sector in Nigeria would not only increase the sophistication and product offering in the industry, but would also create a veritable tool for financing economic development in the country.

Chapter Five

PERFORMANCE TRENDS IN THE BANKING SYSTEM

5.01 BALANCE SHEET STRUCTURE AND GROWTH RATES IN BANKS

The total assets of the banking sector increased, by 46.56 percent or $\times 4.87$ trillion, from $\times 10.47$ trillion in 2007 to $\times 15.34$ trillion in 2008. Cash and Due from Banks accounted for 18.84 percent in 2008 compared to 17.21 percent in 2007. Advances/leases, which constituted the largest component of total assets, grew from $\times 3.80$ trillion or 36.32 percent in 2007 to $\times 6.17$ trillion or 40.21 percent of total assets in 2008.

The major components of liabilities also witnessed increases. Total deposits, other liabilities and paid-up capital and reserves rose by 62.28 percent, 2.05 percent and 63 percent, respectively.

The aggregate balance sheet of the banking industry from 2004 to 2008 and the individual components are presented in Table 1 below:

Table 2
Aggregate Balance Sheet Structure of the Banking System

	31-Dec-2008		31-Dec-2007		31-Dec-2006		30-Sept-2005		31-Dec-2004		Annual Growth Rates				
	x Billion	%	x Billion	%	x Billion	%	x Billion	%	x Billion	%	2008	2007	2006	2005	2004
Cash & Due from banks	2,891	1884	1,802	17.21	2,066	30.66	1,034	23.56	935	27.56	60.43	(12.78)	99.81	10.59	12.24
	1,224														
Call & Placements	792	7.98	438	4.18	135	2.00	230	5.24	102	3.01	179.45	224.44	(41.30)	125.49	(23.31)
Government Securities	929	5.16	1,584	15.13	1,048	15.55	665	15.15	573	16.89	(50.00)	51.15	57.59	16.06	69.03
Short Term Funds	6,170	6.05	491	4.69	263	3.90	238	5.42	104	3.07	89.21	86.69	10.50	128.85	26.83
Advances/Leases (Net)	1,356	40.21	3,802	36.32	2,081	30.88	477	33.65	1,133	33.39	62.28	82.70	40.89	30.36	23.83
Investments	1,411	8.84	892	8.52	430	6.38	194	4.42	105	3.09	52.02	107.44	121.65	84.76	15.38
Other Assets	570	9.20	1,006	9.61	450	6.68	368	8.38	281	8.28	40.26	123.56	22.28	30.96	16.60
Fixed Assets		3.72	454	4.34	265	3.93	183	4.17	160	4.72	25.55	71.32	44.81	14.38	19.40
TOTAL (Net)	15,343	100.00	10,469	100.00	6,738	100.0	4,389	100.00	3,393	100.00	46.56	55.37	53.52	29.35	22.58
Liabilities:															
Total Deposits	8,703	56.72	5,363	51.23	3,442	51.08	2,546	58.01	1,797	52.96	62.28	55.81	35.19	41.68	27.54
Money at Call and Taking	567	3.70	254	2.43	57	0.85	70	1.59	54	1.59	123.23	345.61	(18.57)	29.63	(16.92)
Due to other Banks	226	1.47	198	1.89	689	10.23	57	1.30	47	1.39	14.14	(71.26)	1,108.77	21.28	(28.79)
Other Borrowed Funds	1	0.01	1	0.01	67	0.99	67	1.53	61	1.80	-	(98.51)	-	9.84	165.22
Other Liabilities	2,740	17.86	2,685	25.65	1,441	21.39	1,091	24.86	1,080	31.89	2.05	86.33	32.08	1.02	18.68
Long Term Loans	317	2.07	257	2.45	1	0.01	4	0.09	3	0.09	23.35	25,600.00	(75.00)	33.33	-
Paid-Up Capital	211	1.38	153	1.46	170	2.52	171	3.90	141	4.16	37.91	(10.00)	(0.58)	21.28	16.53
Reserves	2,578	16.80	1,558	14.88	871	12.93	383	8.73	210	6.19	65.47	78.87	127.42	82.38	22.81
TOTAL	15,343	100.00	10,469	100.00	6,738	100.00	4,389	100.00	3,393	100.00	46.56	55.37	53.52	29.35	22.58
Off-Balance Sheet	3,918	25.54	2,581	24.65	1,380	20.48	859	19.57	664	19.57	51.80	87.03	60.65	29.37	6.24
Number of Banks	24		24		25		86		87						

Figure 1
Aggregate Balance Sheet 2004b - 2008

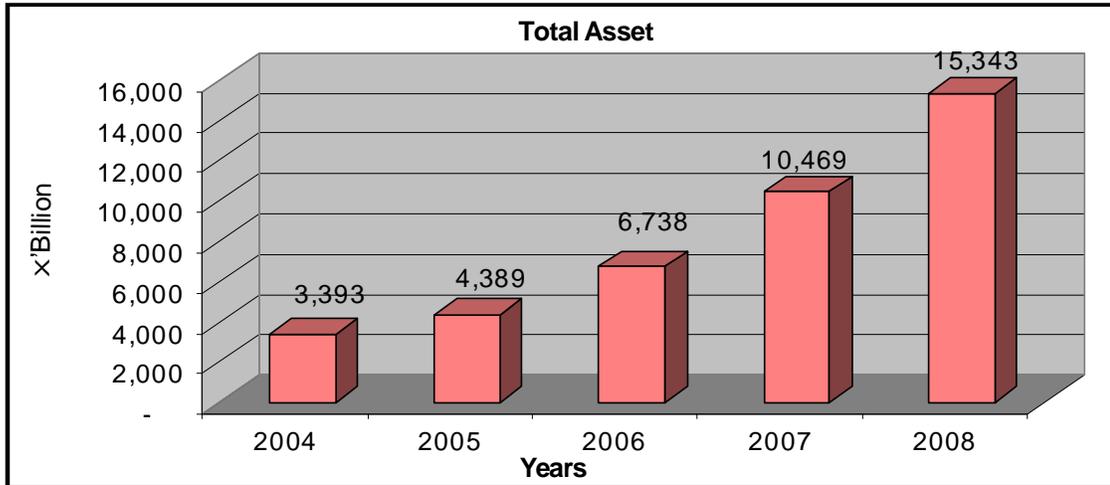


Figure 2
Composition of Assets in 2004

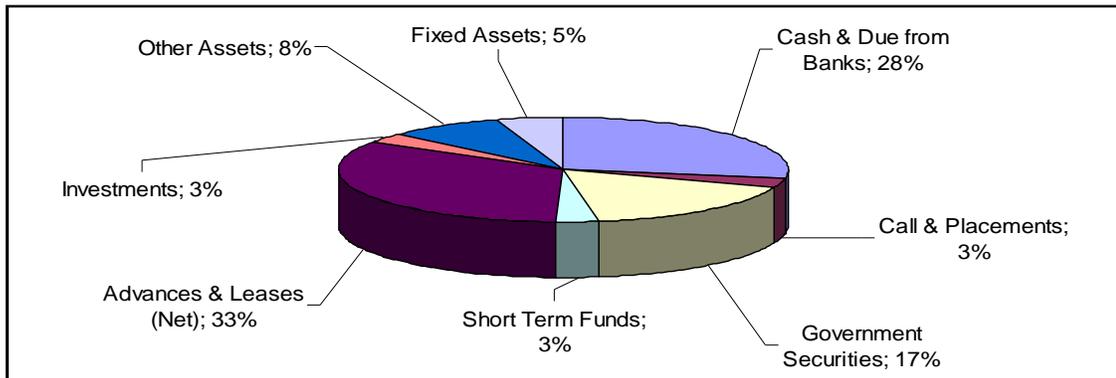
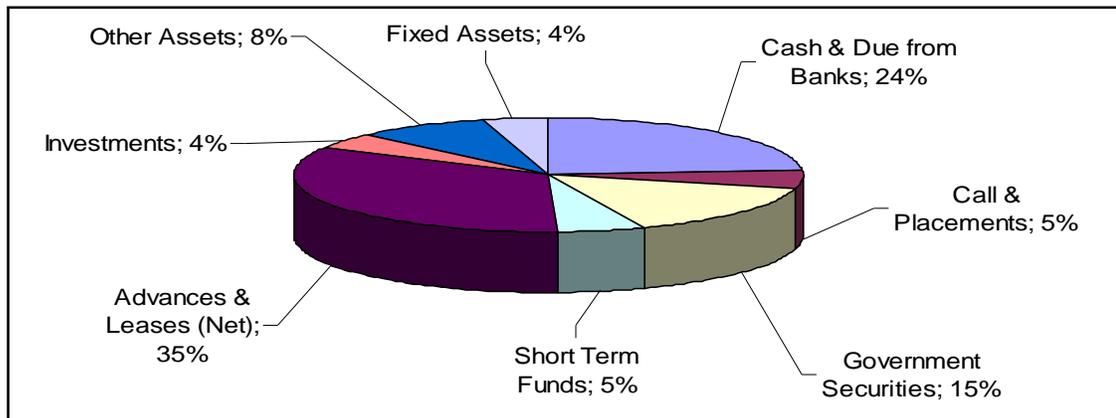
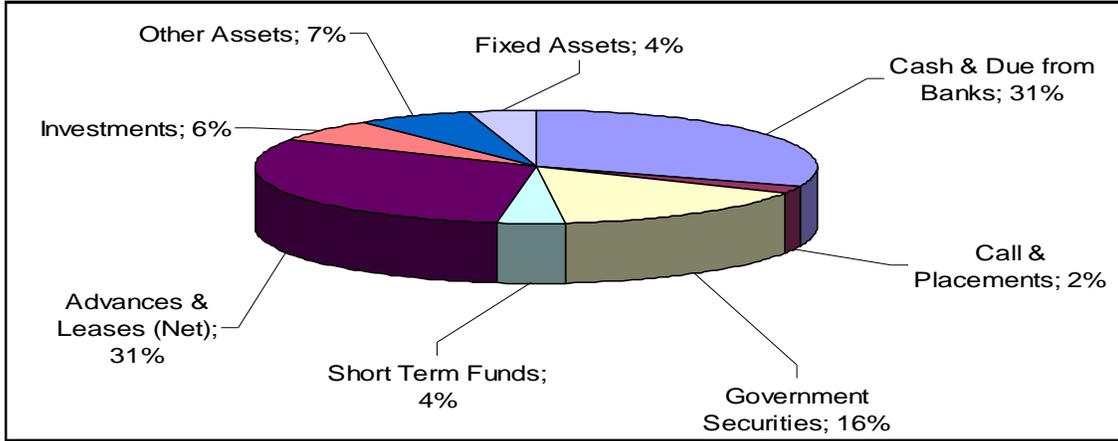


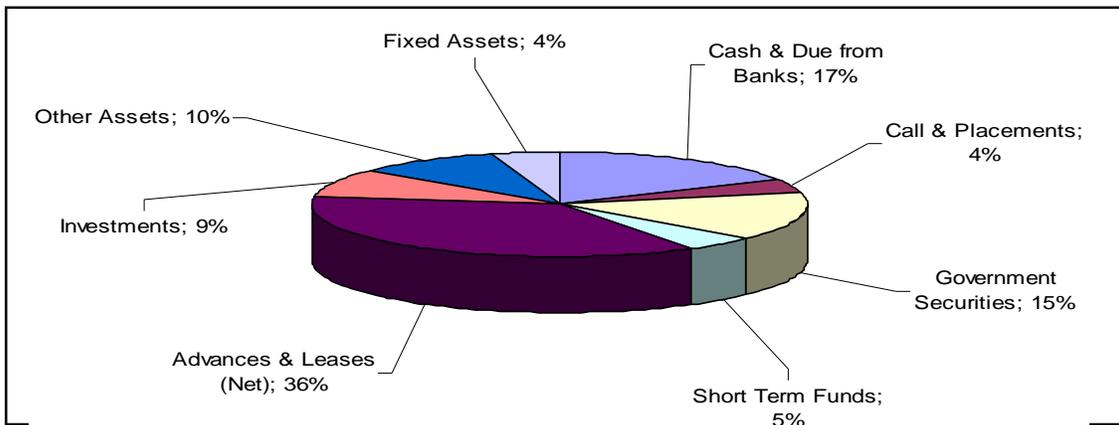
Figure 3
Composition of Assets in 2005



**Figure 4
Composition of Assets in 2006**



**Figure 5
Composition of Assets in 2007**



**Figure 6
Composition of Assets in 2008**

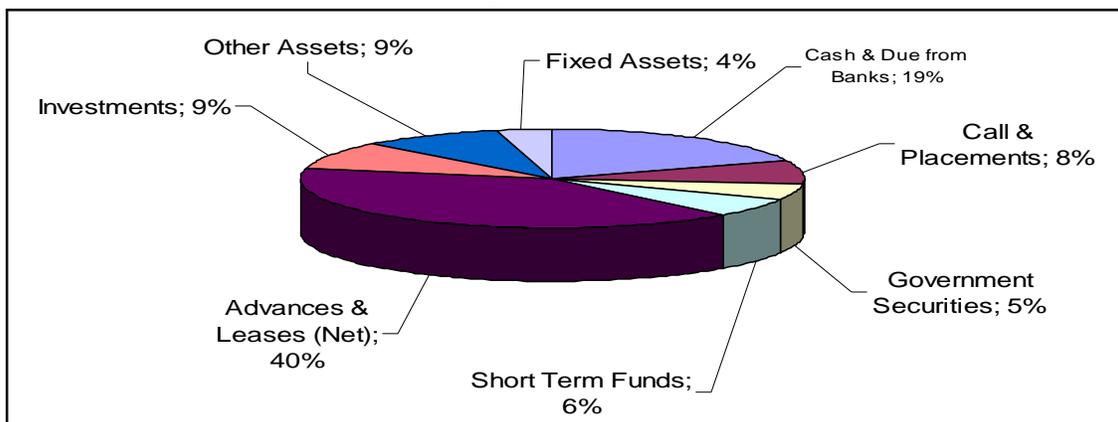


Figure 7
Composition of Liabilities in 2004

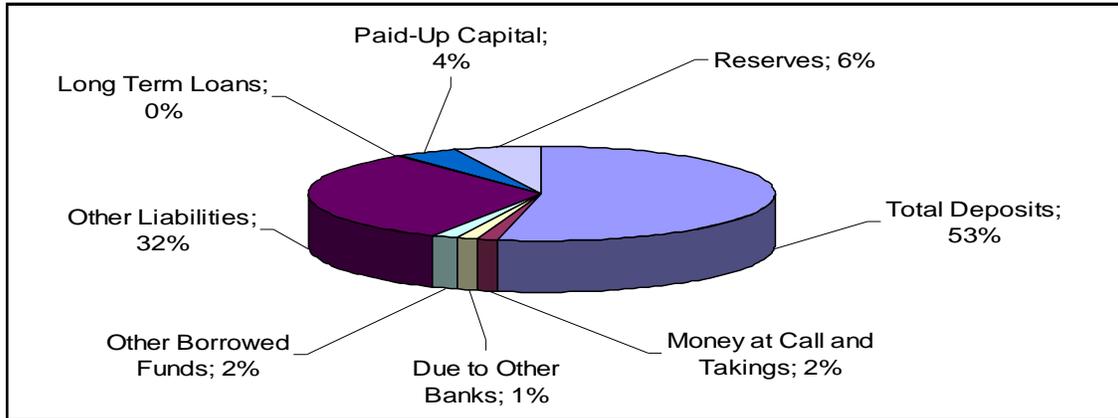


Figure 8
Composition of Liabilities in 2005

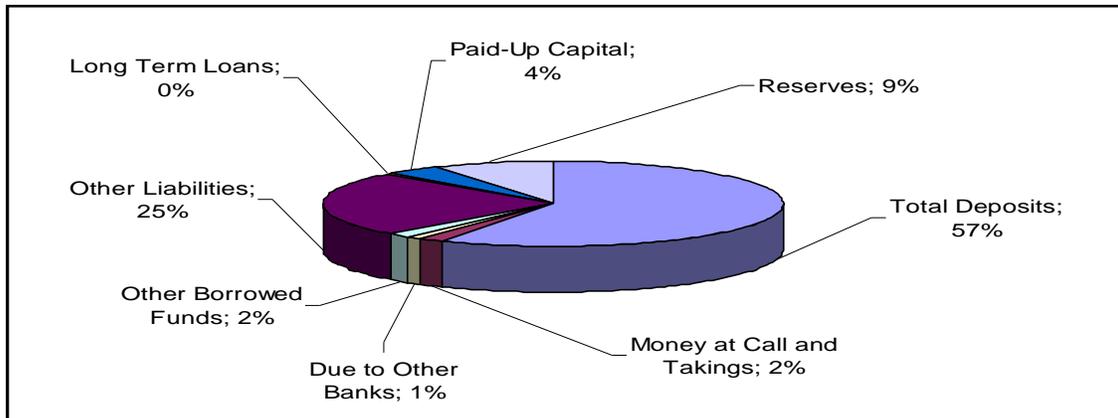


Figure 9
Composition of Liabilities in 2006

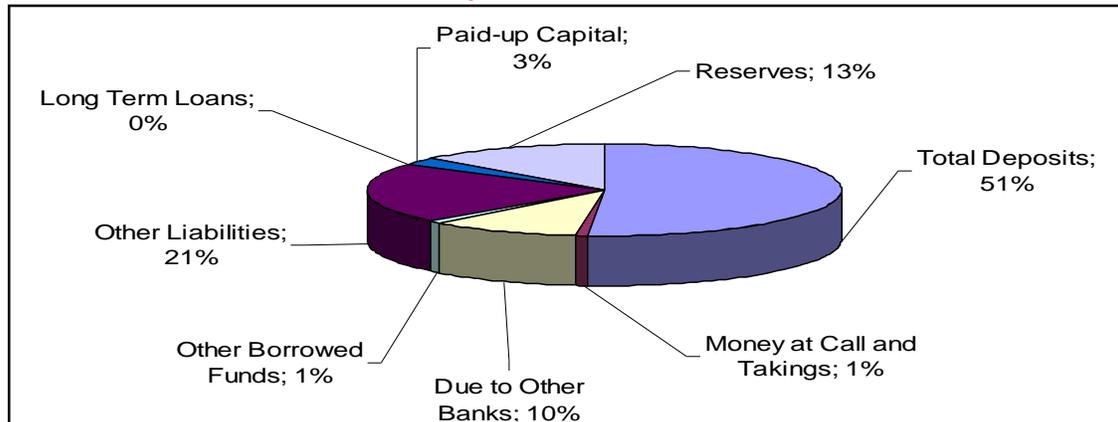


Figure 10
Composition of Liabilities in 2007

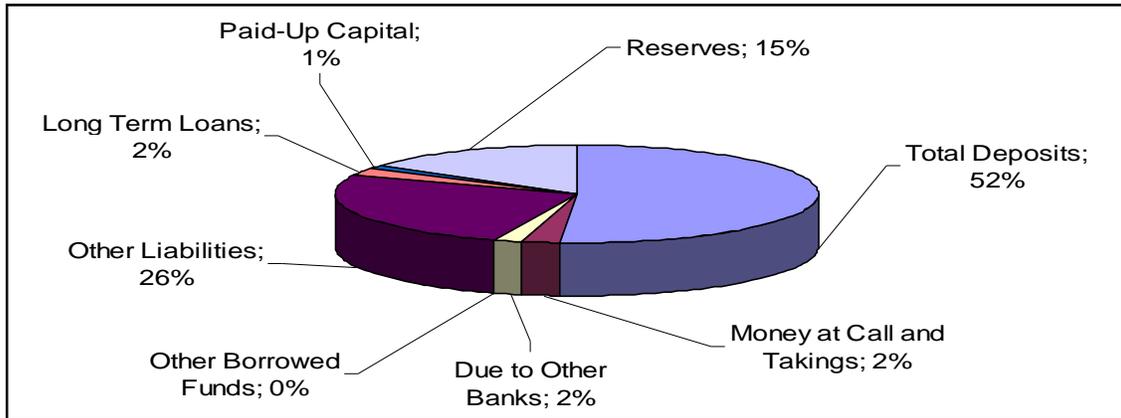
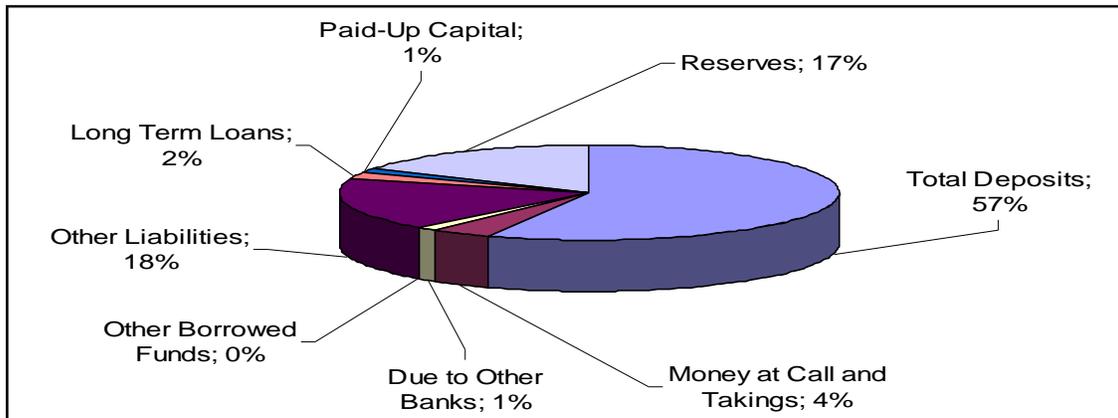


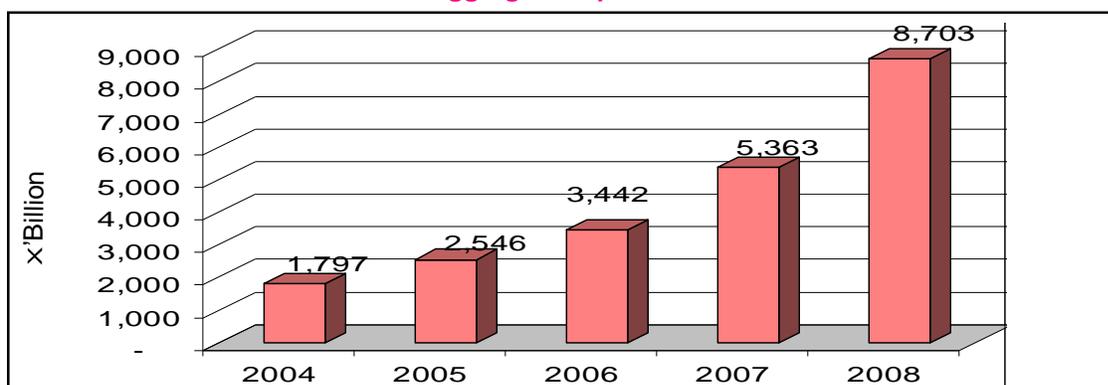
Figure 11
Composition of Liabilities in 2008



5.02 DEPOSIT LIABILITIES AND LIQUIDITY IN BANKS

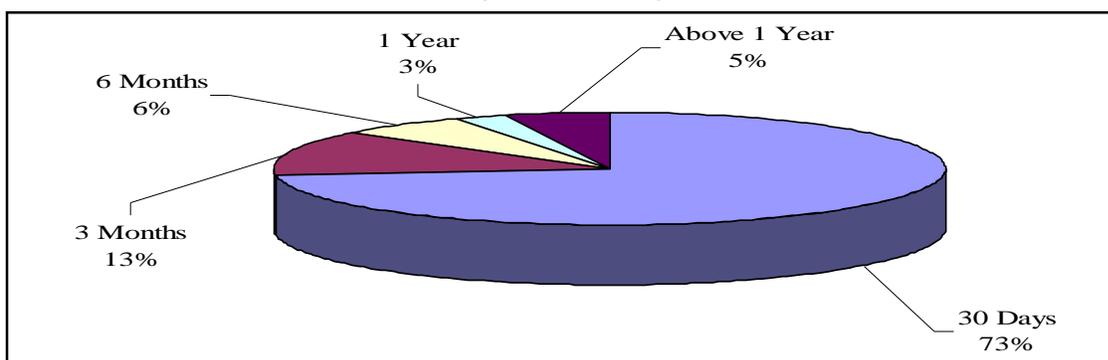
In 2008, the aggregate deposits in the banking sector sustained its growth trend. It grew from $\times 1.8$ trillion in 2004 to $\times 2.5$ trillion in 2005, $\times 3.4$ trillion in 2006, $\times 5.4$ trillion in 2007 and $\times 8.7$ trillion in 2008. The observed trend reflected a growth rate of 27.54 percent in 2004, 41.68 percent in 2005, 35.19 percent in 2006, 55.81 percent in 2007 and 62.28 percent in 2008.

Figure 12
Aggregate Deposits 2004 -2008



About 73 percent of the deposits of the banking sector were to mature within 30 days, an indication that there was paucity of long-term deposits in the banking system.

Figure 13
Maturity Profile of Deposits in 2008



Demand deposit remained the major type of deposit available to banks. It accounted for $\times 3.9$ trillion or 44.8 percent of the total deposit liabilities as against $\times 2.5$ trillion or 46.9 percent in 2007, $\times 1.6$ trillion or 46.4 percent in 2006, $\times 1.2$ trillion or 46.8 percent in 2005 and $\times 0.8$ trillion or 44.5 percent in 2004.

Figure 14
Composition of Deposits in 2004

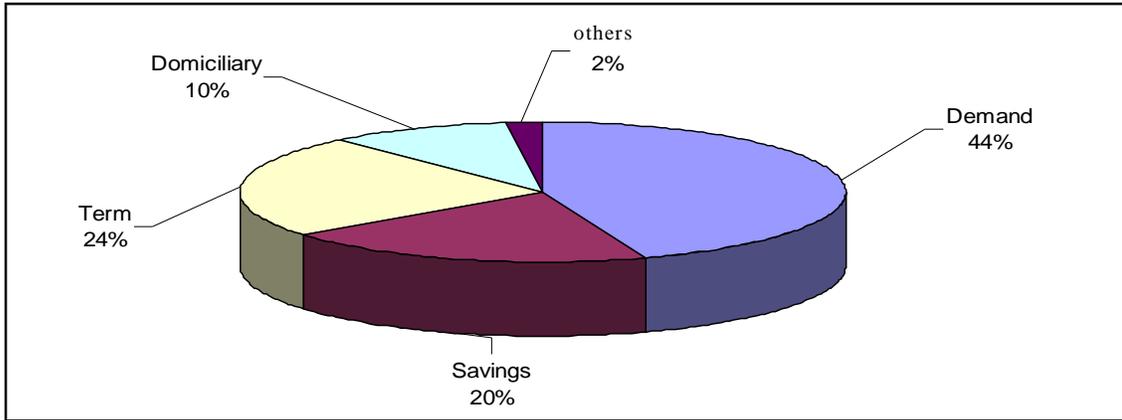


Figure 15
Composition of Deposits in 2005

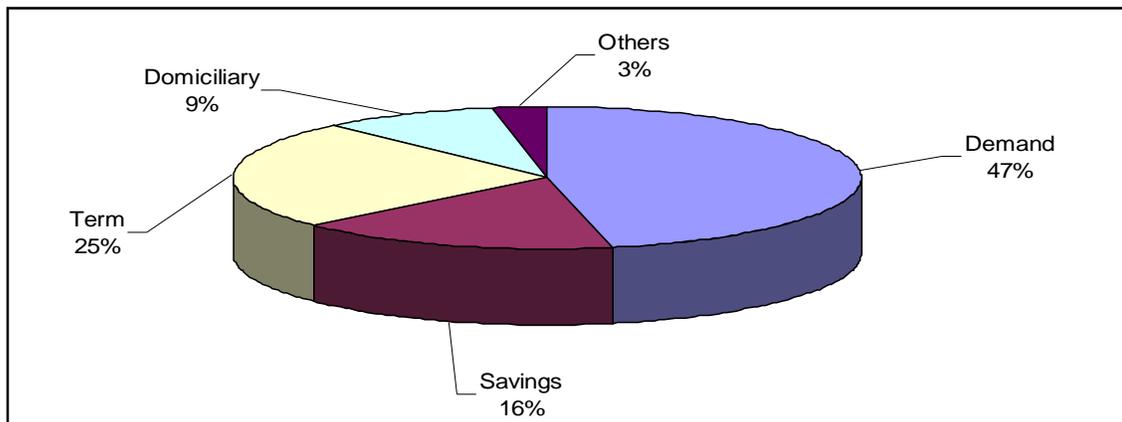


Figure 16
Composition of Deposits in 2006

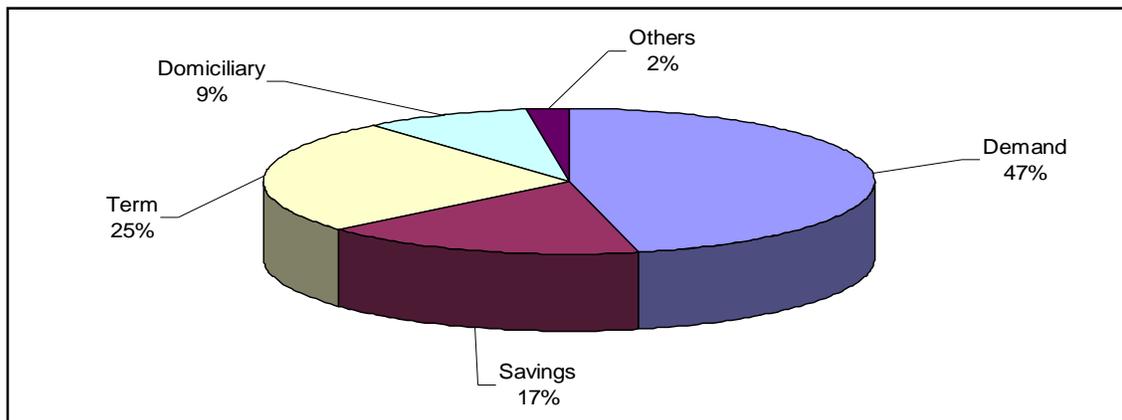


Figure 17
Composition of Deposits in 2007

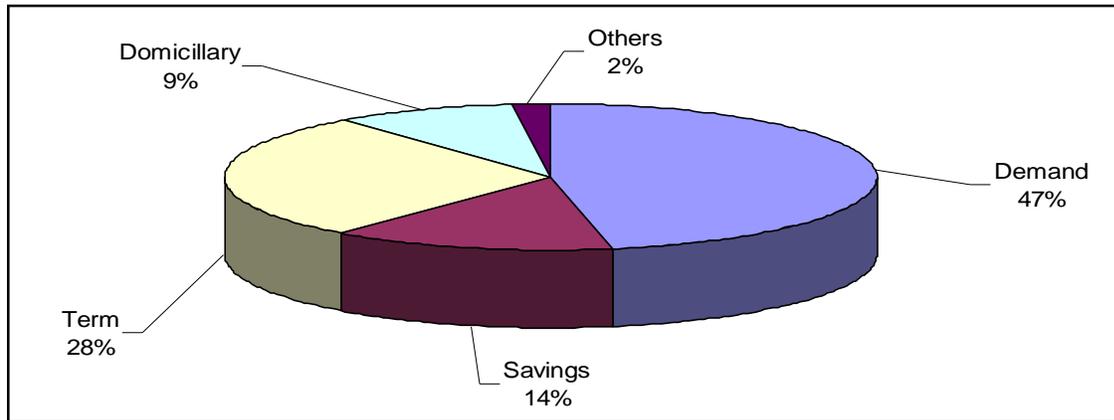
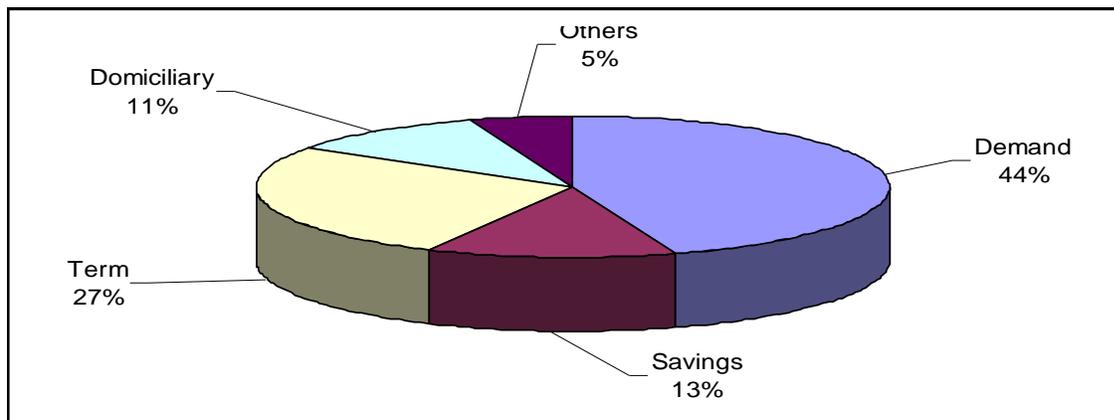
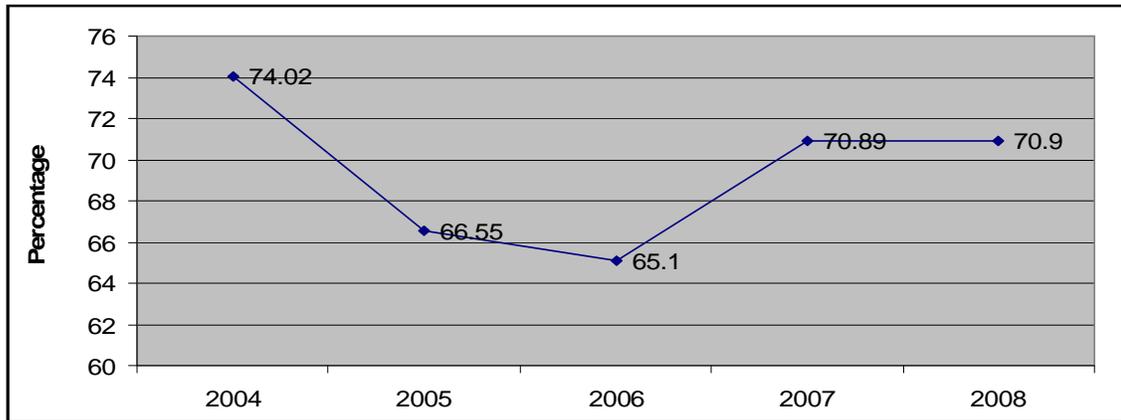


Figure 18
Composition of Deposits in 2008



During the year, the minimum liquidity ratio requirement for banks was reduced from 40 percent to 30 percent, while the specified liquid assets, for the purpose of liquidity ratio computation for banks, remained mainly cash and due from banks, short-term government instruments, placements with discount houses and inter-bank placements. The average liquidity ratio of the industry was 46.49 percent as at December 31, 2008.

Figure 19
Aggregate Credit to Deposits Ratio 2004 - 2008

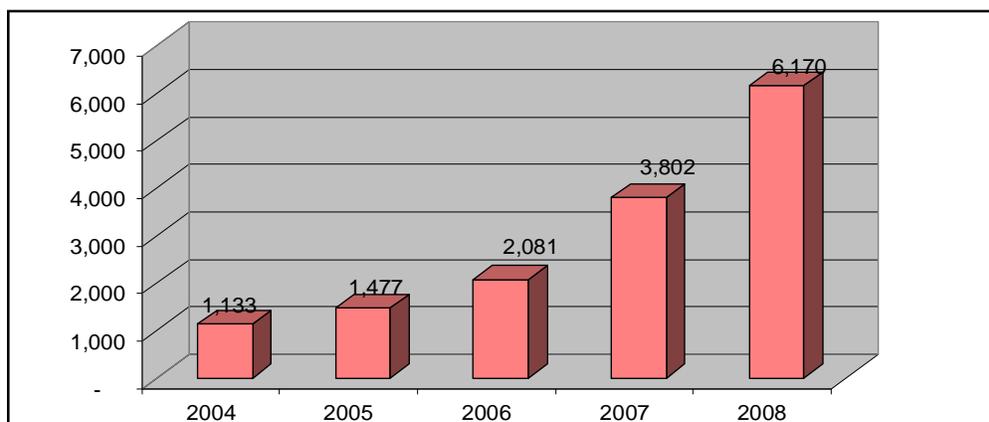


The ratio of aggregate credit to aggregate deposits was flat at about 71 percent over the last two years. The level was below the maximum recommended ratio of 80 percent. Generally, a ratio above the maximum is indicative of over-trading.

5.03 ASSETS QUALITY IN BANKS

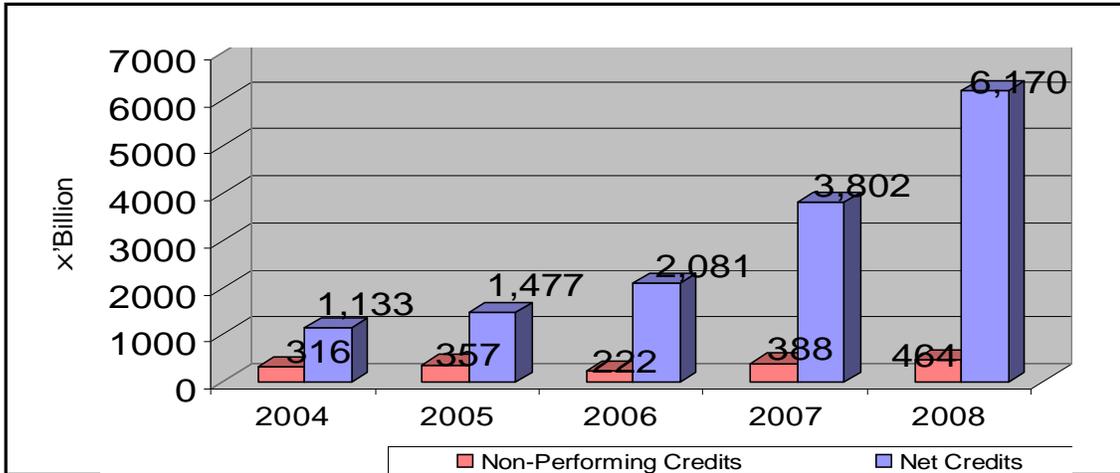
The asset quality of the banking sector improved in 2008. As in the previous years, loans and advances, which stood at $\times 6.17$ trillion as at December 2008, and constituted 40.21 percent of the banking sector aggregate assets of $\times 15.34$ trillion, were the largest earning assets during the period. Total credit recorded a growth rate of 23.83 percent in 2004, 30.36 percent in 2005, 40.89 percent in 2006, 82.7 percent in 2007 and 62.28 percent in 2008.

Figure 20
Loans & Advances 2004 - 2008



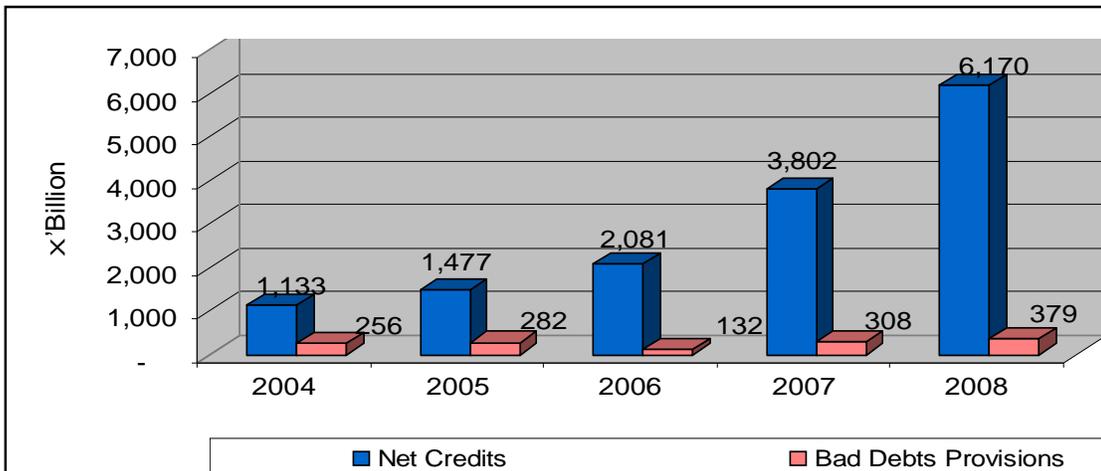
Non-performing credits increased from $\times 0.4$ trillion in 2007 to $\times 0.5$ trillion in 2008. The ratio of non-performing credits to total credits of 6.26 percent during the review period was far below the trigger level of 35 percent for setting up a Crisis Management Unit as stipulated in the Contingency Planning Framework for Systemic Distress. The ratio was lower than 21.6 percent, 18.12 percent, 8.77 percent and 8.44 percent recorded in 2004, 2005, 2006 and 2007, respectively.

Figure 21
Non-Performing Credits to Total Net Credits: 2004 - 2008



Provision for bad and doubtful debts grew from ×0.2 trillion in 2004 to ×0.4 trillion in 2008. The ratio of bad debt provision to total credits was 22.6 percent in 2004, 19.1 percent in 2005, 6.3 percent in 2006, 8.1 percent in 2007 and 6.1 percent in 2008.

Figure 22
Bad Debt Provision to Total Net Credits: 2004 - 2008



5.04 CAPITAL ADEQUACY OF BANKS

At the end of December 2008, all the 24 banks, except one, met the required minimum shareholders' funds of ₦25 billion. Against the risk-weighted assets level of ₦12.8 trillion, the total qualifying capital of ₦2.8 trillion, represented an average capital adequacy ratio (CAR) of 21.91 percent. This position was satisfactory when compared with the required minimum CAR of 10 percent.

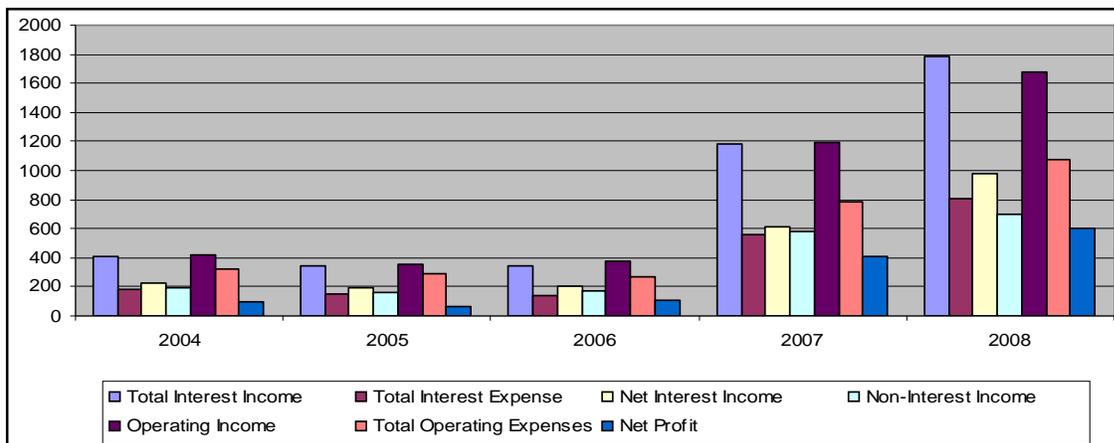
5.05 EARNINGS AND PROFITABILITY OF BANKS: 2004 - 2008

All the earnings and profitability indices showed that the total earnings of the banking industry increased in 2008 relative to 2007. The improved earning was reflected in the increase in net interest income, non-interest income and profit before tax.

**Table 3
Earnings and Profitability of Banks**

	2004 Amount x billion	2005 Amount x billion	2006 Amount x billion	2007 Amount percent	2008 Amount x billion	Percentage Growth				
						2004	2005	2006	2007	2008
Interest Income	412	340	339	1,178	1,787	18.05	(17.48)	(0.29)	247.49	51.70
Interest Expenses	188	147	135	562	808	22.08	(21.81)	(8.16)	316.30	43.77
Net Interest Income	224	193	204	616	979	14.87	(13.84)	5.70	201.96	58.93
Non-Interest Income	194	159	171	577	700	14.29	(18.04)	7.55	237.43	21.32
Operating Income	418	352	375	1,193	1,679	17.42	(15.79)	6.53	218.13	40.74
Operating Expenses	322	290	270	786	1,072	14.18	(9.94)	(6.90)	191.11	36.39
Profit Before Tax	96	62	105	407	607	29.73	(35.42)	50.00	287.62	49.14

**Figure 23
Earnings and Profitability of Banks: 2004 - 2008**



5.06 MARKET SHARE OF THE TEN LARGEST BANKS

In 2008, the 10 largest banks held 71.8 percent of the total assets of the banking system and 72.3 percent of the industry deposit liabilities as against 71.4 percent and 70.6 percent of total assets and total deposits, respectively, in 2007. However, their share of total credits decreased from 74.2 percent in 2007 to 72.9 percent in 2008. In terms of capitalization, the 10 banks controlled 71.8 percent in 2008 as against 76.6 percent in 2007.

5.07 EFFICIENCY OF OPERATIONS

The efficiency of operations in the banking industry improved in 2008. The industry recorded return on assets of 3.95 percent in 2008 as against 3.89 percent in 2007. The cost efficiency ratio was 31.77 percent 2008 as against 65.9 percent in 2007. However, in terms of return on equity, the industry recorded a ratio of 22.01 percent in 2008 as against 23.84 percent in 2007. The reduction in the ratio was due to the increase in the capital of banks in 2008 which did not generate correspondent profit after tax. The table below highlights some ratios used to measure the operating efficiency of the banks.

Table 3
Efficiency of Operations of Nigerian Banks from 2004 - 2008
(Percent)

Efficiency Measures	2004	2005	2006	2007	2008
Interest Margin	55.87	54.37	60.15	52.25	54.80
Return on Assets	3.12	1.85	1.61	3.89	3.95
Return on Equity	27.35	12.97	10.60	23.84	22.01
Operating Cost Efficiency Ratio	77.03	39.97	71.43	65.90	31.77

Figure 24
Trend of Net Interest Margin of Banks: 2004 - 2008

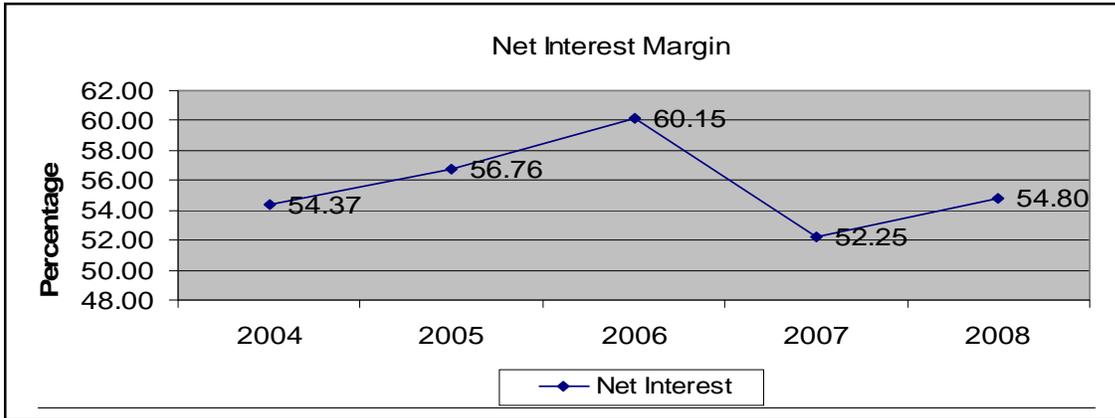


Figure 25
Return on Capital Employed: 2004 - 2008

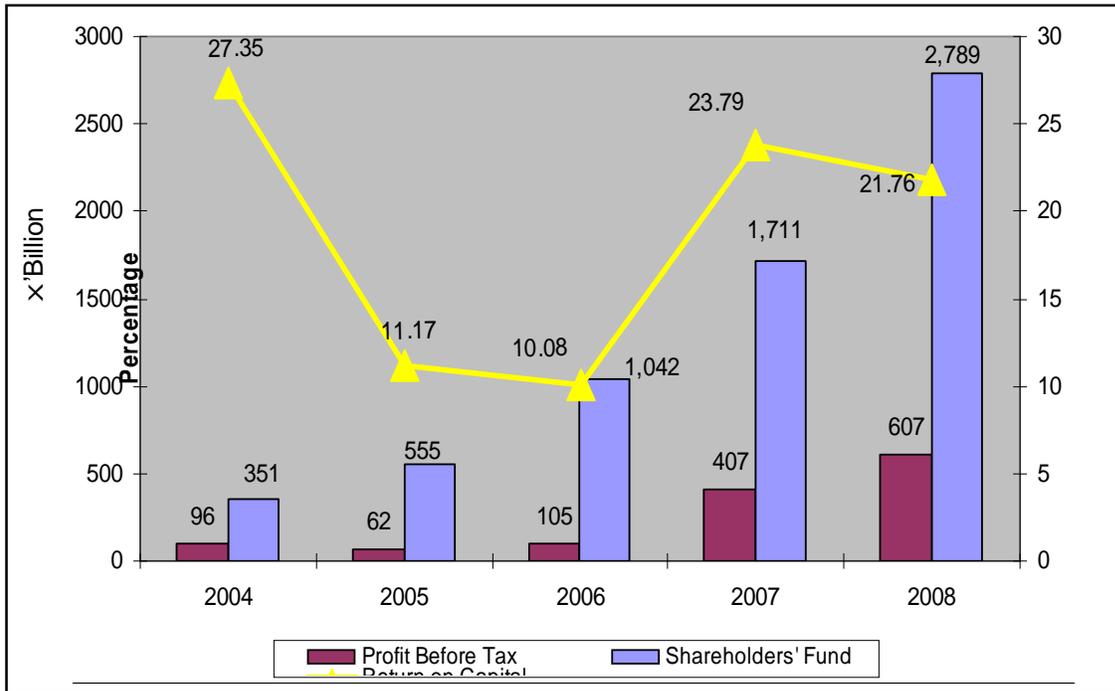
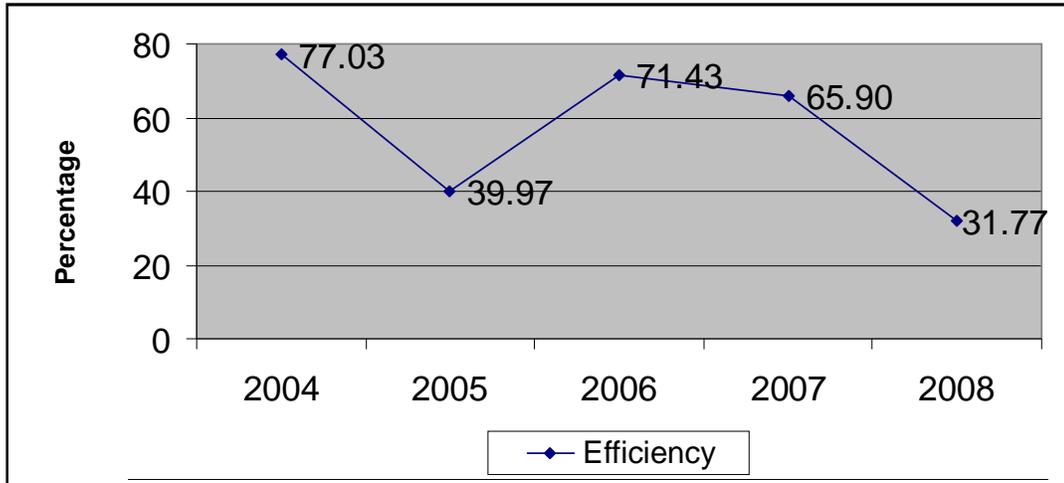


Figure 26
Efficiency Ratio of the Banking System 2004 - 2008



5.08 OTHER FINANCIAL INSTITUTIONS SUB-SECTOR

The key financial indicators of all the institutions in the sub-sector recorded appreciable growth during the year under review.

Microfinance Banks (MFBs)

The total assets of MFBs increased from ₦75.5 billion in 2007 to ₦122.7 billion in 2008, representing an increase of 62.5 percent.

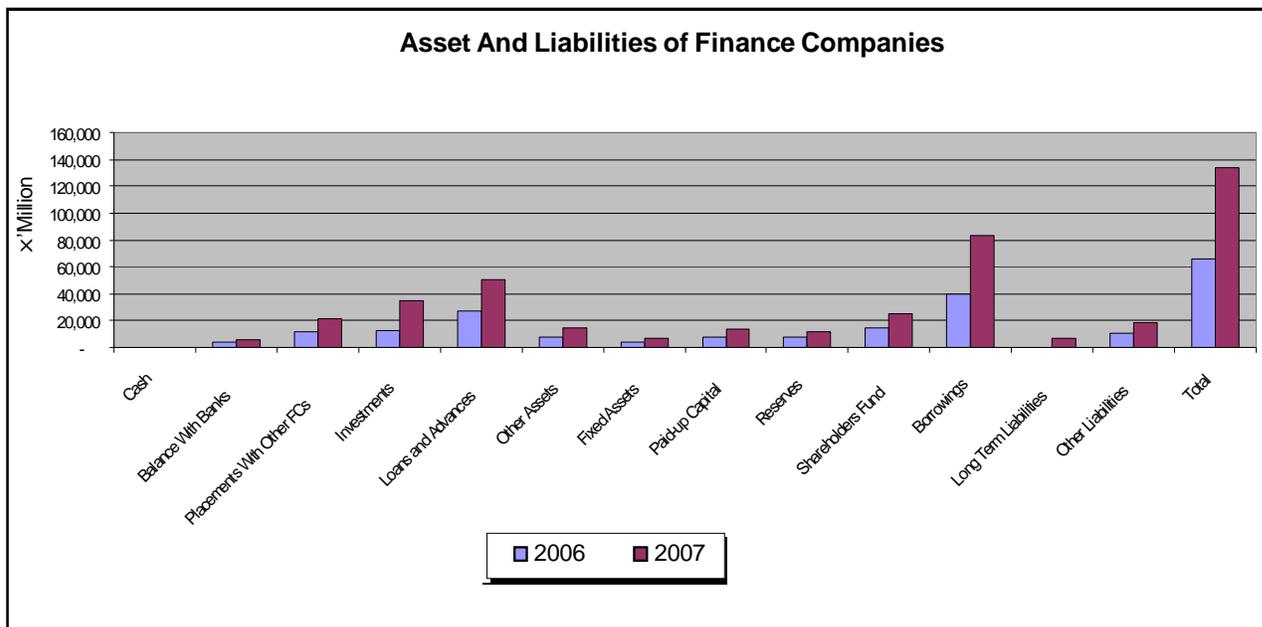
The major components of the total assets were loans and advances ₦42.75 billion, placements ₦26.25 billion and balances with banks ₦17.46 billion, representing 34.8 percent, 21.4 percent and 14.2 percent, respectively. The assets of the MFBs were largely funded by deposit liabilities of ₦61.17 billion and shareholders' funds of ₦37.02 billion.

Details of MFBs' financial statistics are shown in table 4.

Table 5
Assets And Liabilities Of MFBs

ASSETS	2007 x'000	%	2008 x'000	%	VARIANCE	% CHANGE
Cash	1,410,122	1.9	2,292,586	1.9	882,464	62.6
Balance with Banks	11,801,327	15.6	17,458,886	14.2	5,657,559	47.9
Placements	21,381,543	28.3	26,246,792	21.4	4,865,249	22.8
Investments	3,715,676	4.9	7,295,318	5.9	3,579,642	96.3
Loans and Advances	22,850,226	30.2	42,752,990	34.8	19,902,764	87.1
Other Assets	8,141,945	10.8	14,469,789	11.8	6,327,844	77.7
Fixed Assets	6,249,078	8.3	12,237,353	10.0	5,988,275	95.8
TOTAL ASSETS	75,549,917	100.0	122,753,714	100.0	47,203,797	62.5
FINANCED BY:						
Paid-up Capital	11,203,112	14.8	28,340,254	23.1	17,137,142	153.0
Reserves	10,607,658	14.0	8,681,521	7.1	(1,926,137)	(18.2)
Shareholders' Fund	21,810,770	28.9	37,021,775	30.2	15,211,005	69.7
Placements from Other Banks	290,500	0.4	2,081,648	1.7	1,791,148	616.6
Deposits	41,217,713	54.6	61,568,100	50.2	20,350,387	49.4
Long Term Loans	497,881	0.7	3,033,965	2.5	2,536,084	509.4
Other Liabilities	11,733,053	15.5	19,048,226	15.5	7,315,173	62.3
TOTAL LIABILITIES	75,549,917	100.0	122,753,714	100.0	47,203,797	62.5

Figure 26
Assets And Liabilities Of FCs: 2004 - 2008



a) Development Finance Institutions (DFIs)

The total assets and shareholders' funds of the four reporting DFIs, namely BOI, NEXIM, FMBN and NACRDB, stood at x158.9 billion and x39.0 billion, respectively, as at end 2008.

The breakdown of the assets and shareholders' funds was as follows:

	<i>Total Assets</i>	<i>Shareholders' funds</i>
	x' billion	x' billion
BOI	47.95	19.6
NEXIM	20.96	10.8
FMBN	49.78	(2.2)
NACRDB	40.22	6.4
TOTAL	158.90	37.0

Chapter Six

CAPACITY BUILDING FOR SUPERVISION

6.01 TRAINING AND DEVELOPMENT

The CBN implemented several local and foreign training programmes in order to equip supervisors with the requisite knowledge and skills to deliver on its mandate of ensuring a safe and sound banking system.

Local Training

A total of 821 local training slots covering Basel II, Consolidated Supervision, Risk-based Supervision, Financial Markets/Products, Anti-money Laundering, Microfinance Banking, Corporate Governance and Bank Examiners' courses were utilized during the year.

Corporate Governance

Given the importance of corporate governance to the health of the banking system, a stakeholders' workshop on "Compliance Monitoring of Code of Best Practices in Bank Corporate Governance" took place at the Gateway Hotel, Abeokuta from April 7 – 18, 2008. A total of 220 participants, drawn from the CBN, NDIC, SEC and the deposit money banks, were in attendance.

Consolidated Supervision

A training programme on consolidated supervision of banks/financial institutions was held at the CBN Abeokuta branch from May 5 to August 29, 2008. The programme was designed to explore the nature, importance and the techniques for the implementation of consolidated and risk-based supervision. A total of 320 bank supervisors participated in the training.

Financial Products

An in-plant course on financial derivatives for 128 bank supervisors was organized from February 25 to March 21, 2008. The programme covered current developments in forwards, futures, options and swaps.

Basel II

The Office of the Superintendent of Financial Institutions, Canada, organized training programmes during the year on Basel II, RBS Soft Skills and Insurance Supervision. In addition to the CBN, participants were drawn from the NDIC and NAICOM.

Foreign Training

A total of 116 bank supervisors participated in various foreign capacity building programmes. Technical assistance was received from the Federal Deposit Insurance Corporation, the Federal Reserve Bank and the World Bank, all in the U.S.A. The courses included Examination Management, Loan Analysis, Introduction to Examination, Financial Institutions Analysis and Bank Management. In the same vein, the CBN provided training/technical assistance for some regulatory agencies in Nigeria as well as some African countries.

During the year, a team of bank supervisors undertook a study visit to Malaysia as part of efforts to develop non-interest banking in Nigeria.

In line with its core values, the CBN would continue to place emphasis on capacity building to ensure that bank supervisors are empowered to effectively regulate the Nigerian banking industry.

6.02 INTERIM CAPACITY BUILDING FOR MFB OPERATORS AND DIRECTORS

Following the introduction of the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria and the licensing of microfinance banks, there was the need for the development of a critical mass of sustainable microfinance institutions, with strong organizational structures and management resources.

Towards this end, the development of skilled and knowledgeable human resource to manage the nascent microfinance banking sub-sector on a sustainable basis became imperative. Indeed, on-site examination reports revealed that most of the institutions, especially those that converted from community banks to MFBs, were far from embracing the new concept of microfinance banking, owing largely to knowledge and skill gaps. There was therefore, the need to develop institutional capacity to ensure that microfinance banks avoid the pitfalls which characterized the operations of the erstwhile community banks.

Specifically, the skill-gaps and challenges faced by operators, which the regulatory authorities perceived as capable of impacting adversely on the operations of the banks, included the following:

- ◆ Poor understanding of the microfinance concept;
- ◆ Inadequate knowledge and lack of skills in microfinance models;
- ◆ Inappropriate product design and pricing;
- ◆ Inability to identify target markets/clients;
- ◆ High operational cost;
- ◆ Poor risk management systems;
- ◆ Weak internal control systems;
- ◆ Poor corporate governance; and
- ◆ Poor understanding of the Regulatory Guidelines for Microfinance Banks.

To address these challenges, a capacity building workshop for the operators was designed as an interim measure, pending the take-off of the planned microfinance certification programme.

Objective of the Workshop

The objective of the workshop was to address the observed mission drift and re-orientate the operators to adopt basic microfinance service delivery models and best practice. The workshop was, therefore, aimed at refocusing the microfinance banks on their core business and preventing them from derailing even before the advent of the formal certification programme.

The workshop was organized in two phases in September and November, 2008. The first phase was organized for the management staff, while the second was for the non-executive directors of the microfinance banks.

The first phase of the workshop, held in eight centres nationwide from September 1 - 12, 2008, was attended by 2,718 participants from 723 microfinance banks. Similarly, the second phase held in four centres from November 10 - 15, 2008, was attended by 1,150 participants from 612 microfinance banks.

The broad topics covered at the workshop were:

- ◆ Concept and Principles of Microfinance;
- ◆ Credit and Marketing in Microfinance;
- ◆ Organizational, Operational and Staffing Structure for Microfinance Banks;
- ◆ Corporate Governance Issues in Microfinance Banks;
- ◆ Accounting for Microfinance Institutions;
- ◆ Management Information Systems in Microfinance Banks;
- ◆ Risk Management Systems in Microfinance Banks;
- ◆ Business Planning in Commercial Microfinance;
- ◆ Fraud Detection Techniques in Microfinance Banks; and
- ◆ Regulatory Guidelines/Challenges of Rendering Monthly Returns.

Experienced foreign and local microfinance experts and practitioners constituted the faculty for the workshop.

Learning Points

The following major learning points were brought to the fore from the workshop.

- The programme exposed poor understanding of the concept of microfinance banking among operators in terms of the target market, product design and client outreach optimization.
- Some microfinance banks, especially the newly established ones, were operating as mini-universal banks, as evidenced by their product offerings and service delivery methodology.
- The need to establish the microfinance certification programme, as obtainable in other jurisdictions, to ensure sustainable capacity building in the sub-sector, was further reinforced.
- The need to review the Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria to address genuine concerns of operators in the area of permissible and prohibited activities, penalties etc.

Impact of the Workshop

From the reaction of the participants, the impact of the capacity building programme included:

- the re-orientation of operators to proper understanding of the microfinance concept, methodology and best practice; and
- a better understanding of the provisions of the Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria.

The inauguration of microfinance banking in Nigeria threw up the challenge of inadequate human capacity, capable of derailing the objectives of the microfinance policy. The interim capacity building workshop was one in a series of programmes that would be sustained by the CBN to ensure adequate capacity for the microfinance banking sub-sector.

6.03 THE BANK EXAMINERS' CONFERENCE AND RETREAT

The Bank Examiners' Conference and Retreat were held at the Gateway Hotel, Abeokuta, from June 19 to 21, 2008, with the theme: "From Compliance Examination to Risk-based Supervision".

The Director, Banking Supervision Department, delivered the welcome address while the keynote address and the goodwill message were delivered by the representatives of the Deputy Governor (Financial Sector Surveillance), CBN and the Managing Director, Nigeria Deposit Insurance Corporation, respectively.

The conference was facilitated by Saike Green Resources International in conjunction with the Risk Reward Limited, UK and Pulse Professionals. Participants were drawn from CBN, SEC, NAICOM and deposit money banks.

Four papers were presented at the conference, namely:

- RBS as an Effective Tool of Banking Supervision;
- Regulatory Challenges in the Implementation of RBS;
- Consolidated Supervision in an Emerging Market; and
- Corporate Governance Practices in the Nigerian Banking System and the Challenges to Regulators.

During the sessions, experiences in other jurisdictions were reviewed and supervisors advised to develop appropriate risk-based supervisory techniques for the Nigerian environment. Also, the following issues, which were hitherto not prominent in the existing risk management framework, were raised.

- ♦ The need for financial institutions to maintain risk registers.
- ♦ Provision of information on banks' internal operational loss and credit loss data on a consolidated basis, which is consistent, scaled and relevant.
- ♦ Determination of the financial institutions risk appetite and the communication of such to the CBN.
- ♦ Risk-based internal audit functions in the financial institutions.

- ♦ Scenario modeling, stress testing and sensitivity analysis.
- ♦ Banks with cross-border branches deserving more regulatory attention.
- ♦ Preparing appropriate regulations for the emergence of securitization and financial derivatives in the Nigerian financial market.

Participants were grouped into four to brainstorm along the lines of the papers that were presented and the recommendations of the groups were discussed at the plenary session.

The plenary session identified the following as the main challenges to the implementation of risk-based supervision.

- ♦ Integrity of data submitted by financial institutions.
- ♦ Obtaining internal operational loss and credit loss data on a consolidated basis.
- ♦ Skill and knowledge gap among the operators and the regulators.
- ♦ Risk management and corporate governance practices among banks, which may not conform with international best practice.
- ♦ Development of risk management models that may capture the peculiar situations in the Nigerian economy.
- ♦ Provision of tools for bank examiners to monitor and capture early warning signals.
- ♦ Understanding the various products and markets in which the financial institutions operate.
- ♦ Macroeconomic policies and their effects on the financial institutions.
- ♦ Risk management of subsidiaries of Nigerian banks, especially offshore.

At the end of the conference/retreat, the following recommendations were made.

- ♦ Financial institutions should maintain risk registers as part of the institutions' implementation of the risk management system.
- ♦ Internal audit functions should be risk-based.
- ♦ Scenario modeling and stress-testing should form an integral part of the risk management system.

- ♦ There should be improved cross-border and cross-sector collaboration by regulators.
- ♦ Directors of financial institutions should be trained on best corporate governance practices.
- ♦ The current banking regulations should be reviewed to grant the CBN powers to conduct consolidated supervision.
- ♦ Guidelines for securitization and derivatives should be prepared.
- ♦ There should be continuous capacity building for examiners, especially in risk-based and consolidated supervision.

The conference provided an insight into the RBS methodology which will assist in developing a home-grown RBS model. It also afforded participants an opportunity to review recent happenings in the global financial system, further consolidate on the gains of the banking sector reforms and chart an appropriate supervisory direction to the challenges thrown up by the implementation of risk-based and consolidated supervision as well as the CBN code of corporate governance.

6.04 OTHER FINANCIAL INSTITUTIONS DEPARTMENT RETREAT

The Retreat of the Other Financial Institutions Department (OFID) was held at Gateway Hotel, Abeokuta, Ogun State, from November 6 - 9, 2008. The theme of the retreat was “Other Financial Institutions and the Attainment of FSS 20:20: Challenges to Supervisors”.

The Acting Director, OFID, in his welcome address, observed that the retreat provided the department an opportunity to review its processes, achievements and shortcomings and explore means of mitigating its major challenges.

In his keynote address, the Deputy Governor, Financial Sector Surveillance, stressed that the proposed reforms in the other financial institutions sub-sector were geared towards repositioning it for greater efficiency and the attainment of the FSS 20:20 objectives.

The theme paper of the retreat was delivered by the Managing Director, BAA Consult. He stated that the growth envisaged in the FSS 20:20 could only come from micro, small and medium scale enterprises. He also reviewed some of the challenges facing operators and supervisors in the implementation of the strategy.

Five other papers that had strategic relevance to the theme of the retreat were also delivered by eminent resource persons. These were:

- Capacity Building for Supervisors: An Imperative for Meeting Future Challenges;
- Risk-based and Consolidated Supervision;
- Corporate Governance and Risk Management Practices in MFBs and PMIs;
- The Role of Microfinance Banks and Specialized Institutions in Promoting and Sustaining the Growth of the SMEs; and
- The Proposed Reform of the PMI Sub-sector and its Implication on Affordable Housing Policy in Nigeria.

The paper on Capacity Building for Supervisors: An Imperative for Meeting Future Challenges noted that capacity building was a long-term continuing process, which gives flexibility and functionality to an organization in adapting to changing needs. Accordingly, recognizing the dynamics and fast pace of changes in the contemporary world, requires individuals and corporate entities to continuously enhance and renew their capabilities. The paper, therefore, urged that appropriate steps should be taken through capacity building to make OFID better suited to deliver on its mandates.

The Special Adviser to the Governor, (Banking Supervision), who delivered the paper on Risk-based and Consolidated Supervision, highlighted the features of the Supervisory Framework for Banks and Other Financial Institutions in Nigeria.

In the paper on Corporate Governance and Risk Management Practices in MFBs and PMIs, the Managing Director, NPF Microfinance Bank, noted that many MFBs and PMIs did not have the capacity and/or the will to put in place a robust risk management framework, nor were they able to adhere to sound corporate governance practices and principles. He urged the regulatory authorities to prepare a code of corporate governance specifically for OFIs and ensure that the institutions put in place effective risk management frameworks.

In her paper, The Role of Microfinance Banks and Specialised Institutions in Promoting and Sustaining the Growth of SMEs, Managing Director, H. Pierson Associates Ltd., noted the huge untapped potentials for financial intermediation by MFBs and specialized institutions. The paper advised that MFBs and specialized institutions should provide micro loans to SMEs in an efficient and financially sustainable manner, and create linkages between the commercial banks and local groups so as to give SMEs the required leverage to conduct their activities profitably.

The Executive Secretary, Mortgage Banking Association of Nigeria (MBAN), presented a paper on The Proposed Reform of the PMI Sub-sector and its Implication on Affordable Housing Policy in Nigeria. He opined that, an effective

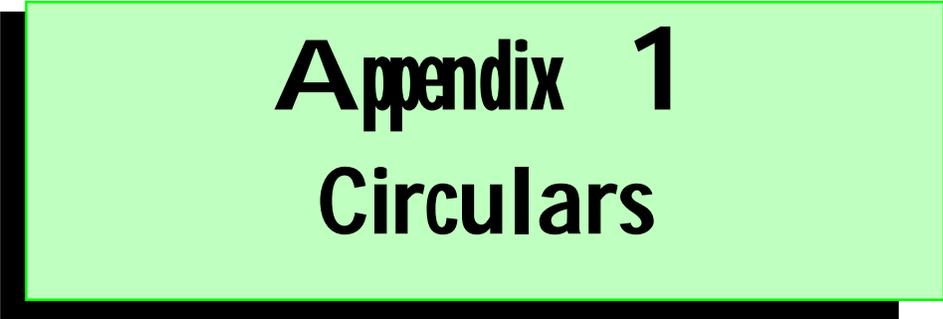
housing finance system would develop automatically if the required structures were put in place. He stated that the MBAN had made a number of far-reaching recommendations for the reform of the housing sector covering land reform, capital requirement for PMIs, institutional reforms, deepening of mortgage finance, legal reform, etc.

At the end of the retreat, a communiqué with key action plans was issued, covering:

- implementation of the proposed reforms of the PMI and the FC sub-sectors;
- adoption of the Prudential and Operational Standards for DFIs;
- bridging the skill gaps in OFIs and improving competencies;
- ensuring that all OFIs adhere to regulations and the fundamentals of corporate governance;
- adoption of risk-based and consolidated supervision;
- Increasing the manning level of OFID;
- strengthening the relationship between OFID and the OFIs;
- implementation of eFASS and the creation of a robust data base in the department; and
- bridging the skill gaps of supervisors through training and the deployment of appropriate technology.

The retreat provided the participants an opportunity to learn, exchange ideas and to interact with one another in an informal atmosphere.

Appendices



Appendix 1

Circulars

09-61636418

February 25, 2008

BSD/DIR/GEN/CIR/V.1/001

CIRCULAR TO ALL BANKS

RE: MODERATION OF INTEREST RATES

It will be recalled that the CBN on July 31, 2002 issued a circular with the above title. This was based on the developments in the economy as at that time as it sought to moderate interest rates in the system. The circular, in reference to a tripartite agreement between the Federal Government, the CBN, and the banks reminded banks to keep faith with their agreement to restrict their lending rates to a maximum of 400 basis points above the Minimum Rediscount Rate (MRR).

Subsequent developments in the economy led to the adoption of a market based framework for monetary policy management with the Monetary Policy Rate (MPR) replacing the MRR.

Although the new regime of monetary policy management had since become operational, this circular is intended to formally confirm to banks that the policy of restriction in banks lending rates to a maximum of 400 basis points above the Minimum Rediscount Rate (MRR) had long ceased to be operational.

O. I. IMALA

DIRECTOR OF BANKING SUPERVISION

09-61636401

09-61636418

May 15, 2008

Ref: BSD/DIR/GEN/CIR/VOL.2/004

**CIRCULAR TO ALL BANKS AND
DISCOUNT HOUSES ON COMMON ACCOUNTING YEAR END**

In order to further enhance the level playing field, post banking sector reforms, it has become necessary to adopt a uniform accounting year end in the industry. As agreed at the Bankers' Committee meeting of January 2008, December 31, has been adopted as a common accounting year end, which should take effect from 2008.

Consequently, the directors of all banks and discount houses are hereby advised, as a first step, to pass a resolution to that effect and inform the relevant agencies in line with S.334 (4) of Companies and Allied Matters Act (CAMA) 1990, as amended. Directors of bank and discount houses are furthermore reminded to streamline the year ends of their subsidiaries in line with S. 334 (5) of CAMA, 1990, as amended.

Banks and discount houses are to note that internationally accepted accounting practice provides for a maximum accounting period of eighteen (18) months. In the circumstance, banks whose year ends coincide with December 31, should forward their full year's accounts for the CBN approval not later than three months after the year end. Those whose year ends fall between January – May, 2008 are advised to submit the normal audited accounts (12 months) for the CBN approval and thereafter, submit the pro-rated period to December 31, 2008 as follows:-

S/N	Current year end dates	Period to December 31, 2008
1	January 31, 2008	11 Months
2	February 29, 2008	10 Months
3	March 31, 2008	9 Months
4	April 30, 2008	8 Months
5	May 31, 2008	7 Months
6	June 30, 2008	Option of 12 Months or 18 Months
7	July 31 to November 30 2008	Elongate to December 31, 2008

The audited accounts for the pro-rated period should be submitted not later than three months after the year end for the CBN appraisal and approval for publication in line with S. 27 & 28 of BOFIA, 1991, as amended. The accounts for December 31, 2008 should be submitted latest by March 31, 2009, while failure to comply with the deadline will attract appropriate sanctions.

O. I. IMALA
DIRECTOR OF BANKING SUPERVISION

09-61636403

August 6, 2008

BSD/DIR/CIR/GEN/VOL2/008

**CIRCULAR TO ALL BANKS AND
DISCOUNT HOUSES
ON CANCELLATION OF COMMON ACCOUNTING YEAR END**

The CBN vide its earlier circular ref: BSD/DIR/GEN/VOL2/004 of May 16, 2008 had conveyed the agreement reached at the Bankers' Committee meeting of January 2008 to adopt December 31, 2008 as common accounting year end for banks and discount houses in Nigeria.

The commencement of this policy in the industry was however postponed via a follow-up circular ref: BSD/DIR/GEN/CIR/VOL.2/006 of July 31, 2008 as a result of the observed unhealthy trend/development in the industry whereby some banks were mobilizing deposits at very high interest rates that were inconsistent with economic fundamentals which was becoming a threat to market stability.

The CBN had at its Monetary Policy Committee meeting of 5th August 2008 further reviewed the policy in the light of the developments in the economy and the misplaced perception that the interest rate trends are linked to the requirement of a common year end and therefore decided that the common year end will no longer be a requirement. Consequently, each bank and discount house is now at liberty to adopt its own accounting year end as it deems appropriate and inform the CBN accordingly.

This circular supersedes our earlier circular erroneously dated 25th August 2006, on the same subject.

**O. I. IMALA
DIRECTOR OF BANKING SUPERVISION**

09-61636403

09-61636418

October 2, 2008

BSD/DIR/CIR/GEN/VOL.2/010

CIRCULAR TO BANKS

RESCHEDULING OF SPECIFIC DEBTS

Several banks have recently indicated their desire to reschedule some of their capital market related exposures.

Their desire was informed by the strict consideration of section 2.3 of the Prudential Guidelines which provides the grounds for reclassifying non-performing facilities.

Given that the facilities should have been structured for a much longer period from the beginning, the CBN is, by this circular allowing such facilities to be restructured for a longer period between now and December 31, 2009.

It should be NOTED that the forbearance is specifically for only loans made for the purchase of shares in the Nigerian Stock Exchange.

O. I. IMALA

DIRECTOR OF BANKING SUPERVISION

09–61636401
09–61636418

October 7, 2008

REF: BSD/DIR/CIR/GEN/02/014

CIRCULAR TO ALL BANKS

ON OFFSHORE EXPANSION

The Central Bank of Nigeria has observed with serious concern the aggressive expansion by banks, particularly cross border, in the recent past. These involve additional risks.

While, the Central Bank of Nigeria appreciates the need for Deposit Money Banks (DMBs) to grow their banks and improve profitability as they seek to deliver value to stakeholders, it is imperative to have in place guidelines that would further strengthen the system and ensure safety and soundness of the financial institutions, both at home and offshore.

In the light of the current realities in the banking industry and in line with CBN's risk-based approach to supervision, guidelines on offshore expansion by banks have been approved by the Management of the Central Bank of Nigeria.

Consequently, all banks are by this circular, enjoined to adopt the requirements as contained in the attached Guidelines as the minimum requirements for offshore expansion.

O. I. IMALA
DIRECTOR OF BANKING SUPERVISION

09-61636401
09-61636418

BSD/DO/CIR/GEN/V.2/013

October 10, 2008

TO ALL BANKS AND DISCOUNT HOUSES

REFORM OF DISCOUNT HOUSES IN NIGERIA

In view of the developments in the financial system and the need to deepen the money and capital markets, the Central Bank of Nigeria has approved the following changes with regard to the operations of discount houses in Nigeria:

1. Without prejudice to Section A3 of the existing guidelings for discount houses dated April 27, 2004, the ownership base of the discount houses has been expanded to include individuals and other corporate bodies.
2. Furthermore, discount houses are now allowed to undertake other financial services besides those specified in Section A4 of the existing guidelines, subject to meeting the risk-based supervisory requirements and the statutory capital as may be specified by the relevant regulatory bodies.

The revised operational guideline will be issued shortly.

O. I. IMALA
DIRECTOR OF BANKING SUPERVISION

09-61636401

09-61636418

BSD/DO/CIR/GEN/V.2/011

October 10, 2008

CIRCULAR TO ALL BANKS IN NIGERIA

**ADDITIONAL INFORMATION REQUIREMENTS AND DIRECTIVE ON
WESTERN UNION MONEY TRANSFER OPERATIONS IN NIGERIA (WUMT)**

Given the absence of a fool-proof means of personal identification and the need to ensure that WUMT operations in Nigeria are carried out in a transparent and safe manner, banks are required to put in place the following additional safeguards and communicate these to WUMT International and their customers:

1. Funds transferred shall only be collected in the **designated town** for payment and nowhere else;
2. Banks shall investigate customers complaint within one week before referring the beneficiary to the sender for onward complaint to WUMT International; and
3. The copy of beneficiary's photograph forwarded by WUMT to the banks should be personally produced by the beneficiary at the point of collection before payment is made.

In cases where these safeguards are not strictly applied, banks will be held liable and shall be made to refund any amount paid to wrong beneficiaries.

O. I. IMALA
DIRECTOR OF BANKING SUPERVISION

09-61636401, 09-61636404
09-61635433, 09-61636418

BSD/DIR/CIR/GEN/Vol.2/015

October 15, 2008

CIRCULAR TO ALL BANKS IN NIGERIA

**DIRECTIVE TO FORWARD THE ACCOUNT DETAILS OF THE FOLLOWING
ILLEGAL FUND MANAGERS/"WONDER BANKS" TO THE CBN**

You may recall that the Securities and Exchange Commission (SEC) had obtained a favourable judgment by the Investments and Securities Tribunal (IST) against the following companies:

1. Art Master & Co. Ltd;
2. Cyber International Ltd;
3. Fortune Access Interlinks Network;
4. Gold Power Unique Services Ltd;
5. Gorutrans Nigeria Co. Ltd;
6. Interglobal Investment Ltd;
7. Money Field Ltd;
8. New Freedom Diversified Investment Ltd;
9. Open Gate Multipurpose Investors Ltd;
10. Orion Express Global Services Ltd;
11. Pennywise Investment Ltd;
12. Positive Move International Nigeria Ltd;
13. Precious Golden Profile;
14. Real and Cool Wealth International Ltd;
15. Shola Olanrewaju Ayinke (Sefteg Nigeria Company);
16. Silvertrust Global Investment;
17. Successpoint International Investment Ltd;

18. Torid Investment Ltd;
19. Treasured Fund Assets Ltd;
20. Vikel Petroleum Ltd;
21. Wealth Concepts Global Ltd;
22. Wealthgage Multibiz Int. Ltd;
23. Wealth Interlink Agency Ltd;
24. Wealth Solution Ltd;
25. Wealth Transfer and Logistic Ltd;
26. Wilson O. Wilson
(Doing business in the name and style of Wilamas Ventures)
27. Wisdom Investments Nigeria Ltd; and
28. Nospetco Oil and Gas Ltd.

You are please requested to forward to us the account details of the above listed companies from 4th December, 2007 to date. The details should include the account numbers, number of accounts held, branches they were opened, names and addresses of the signatories to the accounts, the balances as at 4/12/07; 31/12/07 and 30/9/08. You are however required to provide a NIL return where no account has been opened in your bank in any of the above names. Similar information should also be provided on related accounts to these companies, their owners and operators to avoid any type of information-gap.

Your response should reach the Director of Banking Supervision within 7 days (**22nd October, 2008**) of the date of this Circular.

T. A. IKUYEJU
FOR: DIRECTOR OF BANKING SUPERVISION

09 61636403
09 61635418

BSD/DIR/CIR/07/VOL.2/016

October 21, 2008

CIRCULAR TO ALL BANKS DE-MARKETING OF BANKS BY OTHER BANKS

It will be recalled that the CBN had earlier issued a circular reference BSD/08/2006 on the above subject titled “The Unethical and Unprofessional Practice of De-Marketing Colleagues/Other Banks in the Industry by Spreading False Rumours”, dated April 12, 2006.

The CBN has again noted with serious concern the recent practice whereby some officers of deposit money banks engage in the de-marketing of other banks through disparaging comments and the use of negative text messages.

This development, which constitutes a threat to the safety and soundness of the banking system, is unprofessional, unethical and unacceptable. Banks and their staff are by this circular reminded that the responsibility for ensuring the safety and soundness of the banking system is a collective one for all stakeholders. Banks are therefore advised to caution their staff on this practice as henceforth, any staff of a bank found to be involved in such an act will be summarily dismissed and blacklisted.

Also, if another staff of the same bank is involved in such a practice, the institution will face severe sanctions including but not limited to a monetary fine of ×10 million (Ten Million Naira only). Appropriate channel will be opened by the CBN for the report of such unwholesome practice by banks’ customers and the general public.

Furthermore, in the overall interest of the banking system, all banks are advised to enthrone an appropriate corporate culture that would guide against such practices in the future.

O. I. IMALA
DIRECTOR OF BANKING SUPERVISION

09-616 35430

09-616 36418

BSD/DIR/CIR/GEN/VOL. 2/017

November 20, 2008

TO ALL DEPOSIT MONEY BANKS

**EXCLUSIVITY CLAUSES IN THE AGREEMENTS SIGNED
BY NIGERIAN BANKS WITH INTERNATIONAL MONEY
TRANSFER OPERATORS**

The attention of the Central Bank of Nigeria has been drawn to the inclusion of exclusivity clauses in the agreements between International Money Transfer Operators and their agent banks in Nigeria. Such exclusivity clauses aimed at protecting the interest of the International Money Transfer Operators, constitute a restraint on competition and unnecessarily increase the cost of money transfer services to the users.

In the light of the above, all deposit money banks are hereby notified that the Central Bank of Nigeria, henceforth, will no longer approve any money transfer agreements between International Money Transfer Operators and agent banks that contain exclusivity clauses. Consequently, the Central Bank of Nigeria directs all deposit money banks to ensure that exclusivity clauses are no longer included in agreements between them and International Money Transfer Operators and that all existing agreements are reviewed to expunge such clauses.

These directives take immediate effect and all banks offering international money transfer services are required to bring this to the attention of their respective International Money Transfer partners, and ensure strict compliance.

D. A. N. EKE

Ag. DIRECTOR OF BANKING SUPERVISION

09-46236403
09-46236418

December 15, 2008

BSD/DIR/CIR/GEN/VOL.02/018

CIRCULAR TO ALL BANKS

RE: RETURNS ON INTEREST RATES ON DEPOSITS AND LOANS

It has been observed that some banks do not submit the above named returns to the Central Bank of Nigeria (CBN) on time to enable it publish it in the Newspapers as earlier agreed with all stakeholders.

We wish therefore to remind all banks to submit this information to the CBN on or before the 5th day after the month end to which it relates and to also publish same on their website.

Where the 5th day falls on a week-end or a public holiday, the returns should be submitted on the working day preceding the week-end or public holiday.

Any bank that does not comply with this requirement shall be appropriately penalized.

D. A. N. Eke

Ag. Director of Banking Supervision

09 – 61636401

09 - 61636418

BSD/DO/CIR/GEN/V.2/012

December 17, 2008

**CIRCULAR TO ALL BANKS AND
INTERNATIONAL MONEY TRANSFER OPERATORS IN NIGERIA**

Given the absence of a fool-proof means of personal identification and the need to ensure that money transfer operations in Nigeria are carried out in a transparent and safe manner, all International Money Transfer operators and their agent banks are required to put in place the following additional safeguards and communicate these to their customers: -

1. Funds transferred shall only be collected in the designated town for payment and nowhere else,
2. All the money transfer operators in Nigeria should introduce a second level pin/code to be provided by the beneficiaries after confirming the availability of their transactions/funds before payment could be made,
3. All the money transfer operators should ensure adequate information dissemination to enlighten the customers and the beneficiaries of the services, and
4. Banks shall investigate customers' complaints within the shortest possible time before referring the beneficiary to the sender for onward complaint to the money transfer operator.

In cases where these safeguards are not strictly applied, banks will be held liable and shall be made to refund any amount paid to wrong beneficiaries.

This circular supersedes the earlier circular No. **BSD/DO/CIR/GEN/V.2/011** Dated October 10, 2008.

D.A.N. EKE
Ag. DIRECTOR BANKING SUPERVISION DEPARTMENT

09 – 61636401

09 - 61636418

BSD/DO/CIR/GEN/V.2/08

December 17, 2008

CIRCULAR TO ALL DEPOSIT MONEY BANKS

DEPLOYMENT OF RESIDENT EXAMINERS TO BANKS

The Central Bank of Nigeria will with effect from, January 5, 2009 commence the deployment of Resident Examiners to deposit money banks in Nigeria, to monitor the observance of safe and sound banking practices and compliance with banking laws, rules and regulations, guidelines/circulars issued by the Bank.

The Resident Examiners will continuously monitor and assess the banks' financial condition and risk management systems through participation in meetings as observers, review of management reports and discussions with banks officials as and when necessary.

Pursuant thereto, banks are to note that in addition to powers conferred on Bank Examiners by Section 30 of the Banks and Other Financial Institutions Act 1991 as amended, Resident Examiners are also authorized to:

- Attend Board, and Management meetings (including their committees) as Observers with hindrance;
- Query banks' system as and when necessary and;
- Carry out all other functions necessary to accomplish the objectives of supervision of banks.

In view of the above, banks cooperation is hereby solicited for the provision of adequate and conducive office accommodation for Resident Examiners at their Head Offices.

Please, note that no form of entertainment or remuneration should be provided for the Resident Examiners as this will be catered for by the CBN.

Finally, banks are to ensure that maximum co-operation and unfettered access to all records and documents are accorded the Resident Examiners.

D.A.N. EKE

Ag. DIRECTOR OF BANKING SUPERVISION

**TO THE MANAGING DIRECTORS/CEOs
OTO OF MICROFINANCE BANKS**

NON-RENDITION OF MONTHLY RETURNS AND OTHER MATTERS

It has been observed that many microfinance banks (MFBs), either with final licence or provisional approval, failed to submit monthly returns to the Central Bank of Nigeria (CBN), in contravention of Section 58(2)(b) of Banks and Other Financial Institutions Act (BOFIA), 1991 (as amended) and section 6.4 of the Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria.

This, therefore, serves as the final notice to all MFBs (with final licence or provisional approval) that, failure to either submit monthly returns to the CBN and NDIC, or late-submission (i.e. later than 14 days after the end of the relevant month) is absolutely unacceptable to the regulatory bodies.

For the avoidance of doubt, non-rendition of returns, late or false/inaccurate returns or other false/inaccurate information to the CBN shall attract full sanctions, including the revocation of the operating licence, as prescribed in section 8.2 of the Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria.

In addition, we hereby reiterate that all MFBs are required to ensure that their official name as approved by the Central Bank of Nigeria (CBN) and registered at the Corporate Affairs Commission (CAC) is written on their sign-boards, letter-headed paper, all banking instruments, branded documents and signages in the same font-style, font-size and colour. Specifically, the word “Microfinance” should be in the same font-style, font-size and colour as the word “Bank” and the rest of the approved name.

All sign-boards, letter-headed papers, banking instruments, branded documents and signages which do not conform to this specification should be replaced immediately.

Furthermore, a copy of the CBN licence should be glazed and displayed by all MFBs in a conspicuous location within the banking hall at the Head Office and all approved branches.

Any microfinance bank that fails to comply with these directives shall be appropriately sanctioned in accordance with Section 12(e) of the Banks and Other Financial Institutions Act (BOFIA), 1991 (as amended) and section 20.3 (h) of the Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria.

S.A. Oni
Director of Other Financial Institutions

Appendix 2

Major Financial Indicators of Individual Banks

Banks	Year	Paid-up Capital	Shareholder Fund x' Million	Total Assets x' Million	Gross Loans & Advances x' Million	Provision for Bad Debts x' Million	Deposit Liabilities x' Million	Profit Before Tax x' Million	Number of Contraventions x' Million	
Banks with Year-Ends Between January and March 2008.										
1. Access Bank Nigeria Plc	2003	1,350	2,365	22,582	7,135	629	9,309	811	3	
	2004	1,500	2,703	31,342	12,341	879	22,724	952	2	
	2005	4,056	14,072	66,918	17,942	1,758	32,608	751	13	
	2006	6,978	28,894	174,554	60,941	6,830	110,879	1,119	4	
	2007	3,489	28,385	328,615	118,297	10,546	205,235	8,043	-	
	2008	8,071	172,002	1,043,465	255,896	11,300	351,789	19,042	1	
	2. Afribank Nig Plc	2003	552	6,546	83,144	33,845	8,625	61,195	2,471	4
		2004	1,104	5,317	70,578	26,482	7,404	57,989	1,566	3
2005		2,354	21,387	95,754	30,543	9,192	61,601	231	3	
2006		2,554	27,059	131,270	48,22	10,940	94,816	3,695	4	
2007		2,554	28,296	182,722	83,760	12,437	142,277	5,081	-	
2008		3,065	34,887	335,695	131,343	12,027	278,476	12,361	6	
3. First Bank of Nig. Plc		2003	1,270	25,040	320,578	92,935	36,899	193,995	13,393	-
		2004	1,751	38,621	312,490	117,123	39,002	207,181	14,106	1
	2005	1,976	44,672	377,496	147,511	32,838	265,378	15,145	1	
	2006	2,619	58,996	538,145	190,004	14,347	391,169	19,831	-	
	2007	5,238	77,351	762,881	226,188	7,003	581,827	22,097	-	
	2008	9,945	339,847	1,165,461	447,061	9,293	661,624	38,020	-	
	4. Guaranty Trust Bank Plc	2003	1,250	9,661	83,311	31,556	893	51,068	4,145	5
		2004	1,500	11,618	119,698	45,198	1,522	74,222	4,833	0
2005		2,873	30,895	167,898	67,179	2,144	95,564	7,005	-	
2006		3,000	36,446	305,081	86,958	3,481	212,834	10,025	2	
2007		4,000	47,433	478,369	116,682	2,977	290,792	15,350	-	
2008		6,840	161,053	718,000	297,611	6,081	357,006	27,199	3	

Banks	Year	Paid-up Capital	Shareholder Fund x' Million	Total Assets x' Million	Gross Loans & Advances x' Million	Provision for Bad Debts x' Million	Deposit Liabilities x' Million	Profit Before Tax x' Million	Number of Contraventions x' Million
Banks with Year-Ends Between January and March 2008	2002	1,794	7,484	47,797	14,556	2,049	35,584	2,380	3
	2003	1,794	8,611	71,412	23,187	1,533	50,245	3,414	NA
5. Intercontinental Bank Plc (14 months to 28th February 2005)	2005	1,794	32,576	164,348	55,306	2,707	110,014	6,706	1
	2006	5,362	53,911	360,903	170,035	11,097	252,281	11,030	NA
	2007	5,362	59,978	638,881	266,665	13,885	455,701	22,316	-
	2008	9733	198,271	1,331,404	429,116	17,674	1,037,420	9,960	-
6. Union Bank of Nig. Plc	2003	1,258	32,730	329,583	61,962	16,399	224,347	10,154	4
	2004	1,678	35,985	367,798	97,643	19,305	241,585	10,210	0
	2005	2,237	39,129	398,271	95,356	16,672	200,511	11,953	0
	2006	4,512	95,685	517,564	134,864	18,804	275,457	12,350	2
	2007	4,825	96,630	619,800	167,819	18,443	417,406	15,320	-
	2008	5,790	111,271	907,074	272,967	28,122	649,334	29,746	3
	2009	1,527	7,215	61,323	23,508	2,768	43,762	2,286	4
7. Wema Bank Plc	2,004	1,555	7,729	71,424	41,766	5,159	55,072	1,420	8
	2005	4,452	24,259	97,909	54,493	8,310	61,285	1,002	12
	2006	4,962	20,540	120,109	75,383	21,681	85,605	(7,200)	-
	2007	5,035	25,183	165,082	91,490	22,693	125,476	1,879	3
	2008	NA	NA	NA	NA	NA	NA	NA	NA
	2009	NA	NA	NA	NA	NA	NA	NA	NA

Banks	Year	Paid-up Capital	Shareholder Fund x' Million	Total Assets x' Million	Gross Loans & Advances x' Million	Provision for Bad Debts x' Million	Deposit Liabilities x' Million	Profit Before Tax x' Million	Number of Contraventions x' Million
Banks With Year-Ends Between April and June									
8. Bank PHB Plc	2003	1,839	2,231	20,155	8,678	478	14,988	303	0
	2004	1,839	2,847	25,027	9,011	812	20,015	885	2
	2005	4,311	12,660	51,671	19,850	1,237	21,893	1,055	-
	2006	9,653	28,490	156,00	41,841	4,700	109,87	3,484	0
	2007	3,218	36,128	378,949	106,234	6,076	307,887	10,159	
	2008	7,577	167,480	1,036,586	321,443	8,562	717,929	25,806	
9. Diamond Bank Plc	2003	1,082	4,993	59,287	15,932	1,420	42,147	5,030	0
	2004	1,540	6,520	69,062	19,500	1,055	43,391	7,004	3
	2005	3,038	20,710	125,675	41,805	1,584	75,166	3,522	-
	2006	3,802	34,970	223,048	81,306	3,376	144,570	5,292	0
	2007	4,700	53,892	312,250	102,775	6,390	211,635	8,793	
	2008	6,580	116,983	603,327	240,479	9,034	403,710	15,059	
10. Equitorial Trust Bank Ltd	2003	2,450	6,166	36,207	17,924	2,619	25,838	2,027	6
	2004	2,450	8,423	47,406	21,079	3,573	33,752	2,533	5
	2005	3,000	10,934	56,034	23,530	4,705	34,142	2,883	8
	2006	6,500	28,405	109,740	37,095	7,516	72,767	2,510	3
	2007	6,500	32,121	130,440	39,890	7,348	82,577	3,878	3
	2008	NA	NA	NA	NA	NA	NA	NA	NA

Banks	Year	Paid-up Capital	Shareholder Fund	Total Assets	Gross Loans & Advances	Provision for Bad Debts	Deposit Liabilities	Profit Before Tax	Number of Contraventions
		x' Million	x' Million	x' Million	x' Million	x' Million	x' Million	x' Million	x' Million
Banks With Year-Ends Between April and June									
11. Fidelity Bank Plc	2003	1,189	2,515	22,517	7,881	706	16,888	1,085	3
	2004	1,534	3,520	27,552	11,014	1,278	19,340	1,078	-
	2005	4,275	9,125	34,953	15,676	1,784	20,572	1,564	3
	2006	8,232	25,597	119,986	46,398	7,737	78,648	3,587	4
	2007	8,232	29,757	217,144	76,999	6,762	176,681	4,403	-
	2008	14,481	135,864	533,122	239,676	8,963	379,729	15,796	-
12. First Inland Bank Plc	2003	1,602	3,800	20,910	8,165	519	14,355	609	1
	2004	1,602	4,363	29,917	10,320	707	23,920	821	1
	2006	4,844	18,279	106,252	50,663	23,826	61,380	(10,308)	-
	2007	4,844	22,137	181,308	50,804	22,331	130,807	3,236	-
	2008	4,844	10,331	444,194	76,444	16,111	320,012	1,109	13
13. First City Monument Bank Plc	2003	1,500	2,559	15,164	6,414	580	9,216	57	0
	2004	1,500	2,757	23,736	8,641	735	18,019	265	0
	2005	2,226	7,216	51,318	12,556	1,120	26,857	1,093	3
	2006	4,751	25,163	106,611	26,311	7,240	70,297	3,640	0
	2007	4,751	30,969	262,806	86,824	3,247	187,991	10,675	-
	2008	8,136	132,127	465,211	193,247	6,682	251,580	18,438	2
14. Unity Bank Plc.	2003	1,199	2,148	24,545	10,243	3,183	561	561	5
	2004	1,516	2,516	25,702	11,836	3,789	554	554	1
	2005	1,668	2,759	33,179	15,340	4,058	459	459	-
	2006	21,753	30,76	131,03	58,666	21,643	2,37	2,37	-
	2007	NA	NA	NA	NA	NA	NA	NA	NA
	2008	NA	NA	NA	NA	NA	NA	NA	NA

Banks	Year	Paid-up Capital	Shareholder Fund x' Million	Total Assets x' Million	Gross Loans & Advances x' Million	Provision for Bad Debts x' Million	Deposit Liabilities x' Million	Profit Before Tax x' Million	Number of Contraventions x' Million
Banks With Year-Ends Between July and Sept									
15. Oceanic Bank Plc	2003	2,800	7,073	64,978	13,600	725	49,366	3,287	2
	2004	3,000	10,360	86,884	24,827	576	68,954	3,445	7
	2005	4,657	31,092	217,803	79,762	2,047	167,401	7,265	-
	2006	4,657	37,670	371,587	105,828	6,912	310,333	11,614	1
	2007	5,821	50,893	1,030,441	349,953	11,614	690,395	22,341	1
	2008	NA	NA	NA	NA	NA	NA	NA	NA
16. Skye Bank Plc	2003	1,524	2,342	20,934	8,909	450	16,109	854	1
	2004	1,524	2,953	25,998	11,314	1,148	20,913	918	7
	2005	2,264	4,447	31,991	13,123	1,000	22,623	743	4
	2006	3,752	26,083	174,197	87,379	15,661	125,472	2,091	-
	2007	3,752	29,175	446,114	115,212	6,762	269,316	7,519	-
	2008	5,792	93,853	784,878	254,162	9,651	501,596	20,425	-
17. Sterling Bank Plc	2003	832	3,353	24,609	11,889	760	15,376	233	6
	2004	1,243	5,629	27,222	12,515	1,546	17,021	1,089	1
	2005	1,873	5,779	44,123	15,306	1,001	17,747	299	5
	2006	5,276	26,319	111,197	48,207	9,261	75,026	429	-
	2007	5,276	26,800	145,975	54,999	9,041	106,934	605	-
	2008	6,282	30,239	236,503	73,342	7,555	184,730	7,790	14
18. United Bank for Africa Plc	2003	1,275	13,767	200,995	50,178	4,102	142,427	4,816	0
	2004	1,275	18,059	208,806	58,855	2,719	151,929	5,608	0
	2005	1,530	17,702	248,928	70,086	2,476	205,110	6,239	5
	2006	3,530	47,621	851,241	116,963	9,769	757,407	12,514	0
	2007	5,748	164,821	1,102,348	334,919	14,690	897,651	22,827	0
	2008	8,622	188,155	1,520,093	435,237	13,489	1,258,035	45,305	0

Banks	Year	Paid-up Capital	Shareholder Fund x' Million	Total Assets x' Million	Gross Loans & Advances x' Million	Provision for Bad Debts x' Million	Deposit Liabilities x' Million	Profit Before Tax x' Million	Number of Contraventions x' Million
19. Zenith Bank Plc	2003	1,549	12,652	112,535	27,895	605	61,574	5,440	-
	2004	1,549	15,674	193,32	54,420	1,028	131,095	6,405	-
	2005	3,000	37,790	329,717	125,531	3,037	233,413	9,16	1
	2006	4,587	93,801	608,505	204,057	4,349	392,864	15,54	0
	2007	4,633	112,833	883,941	224,347	6,042	568,012	23,289	-
	2008	8,372	338,484	1,680,302	427,140	13,409	1,161,476	48,940	3
	15 months to Sept. 2008								
20. Ecobank Nig. Plc.	2003	1,523	3,519	27,314	9,715	1,445	19,979	4,816	1
	2004	1,740	4,413	37,642	13,075	2,012	28,643	5,608	4
	2005	5,413	26,737	67,653	22,367	3,236	32,452	6,239	-
	2006	10,827	29,321	132,091	54,682	2,384	84,041	12,514	1
	2007	10,827	34,822	311,396	121,023	4,842	222,885	22,827	-
	2008	NA	NA	NA	NA	NA	NA	NA	NA
	21 months to Sept. 2008								
21. Nigeria Int'l Bank Ltd	2003	1,500	8,795	77,636	26,822	4,922	37,684	4,823	2
	2004	1,500	12,373	66,247	21,564	5,623	42,067	5,351	-
	2005	2,763	28,120	86,979	30,675	3,087	44,969	4,366	-
	2006	2,794	33,813	112,272	38,190	2,700	61,062	10,555	5
	2007	2,794	35,032	135,879	44,984	2,598	79,135	8,413	-
	2008	NA	NA	NA	NA	NA	NA	NA	NA
	15 months to Sept. 2008								
22. Stanbic IBTC Bank Plc	2003	1,000	5,881	23,947	9,604	225	8,182	1,688	5
	2004	2,000	5,794	26,872	9,618	138	10,544	1,711	6
	2005	2,935	14,275	34,568	13,670	183	10,886	3,013	5
	2006	6,029	31,515	110,782	58,132	8,065	57,073	5,418	1
	2007	6,250	38,857	147,398	43,931	8,341	72,896	6,185	-
	2007	9,375	72,422	304,520	91,201	11,565	72,455	8,796	-
	2008	NA	NA	NA	NA	NA	NA	NA	NA
15 months to Sept. 2008									

Banks	Year	Paid-up Capital	Shareholder Fund x' Million	Total Assets x' Million	Gross Loans & Advances x' Million	Provision for Bad Debts x' Million	Deposit Liabilities x' Million	Profit Before Tax x' Million	Number of Contraventions x' Million
Banks With Year-Ends Between October and December	2003	2,458	3,633	26,254	6,658	71	14,527	11,057	1
	2004	2,458	4,960	34,724	9,168	185	23,526	1,565	0
	2005	3,010	26,653	68,535	20,028	252	33,440	3,243	-
	2006	3,010	32,359	89,140	30,182	774	37,542	7,100	-
	2007	3,010	33,239	130,450	36,596	856	47,113	8,672	5
	2008	3,010	35,289	160,279	62,884	1,368	96,176	11,281	1
23. Standard Chartered Bank Ltd.									
24. Spring Bank Plc		N/A	NA	NA	NA	NA	NA	NA	NA

Appendix 3

Glossary

GLOSSARY

ADB	-	African Development Bank
AFC	-	African Finance Corporation
AIP	-	Approval-in-Principle
AMCON	-	Asset Management Corporation of Nigeria
APC	-	Armoured Personnel Carriers
ATMs	-	Automated Teller Machines
BAS	-	Banking Analysis System
BDC	-	Bureaux de Change
BOFIA	-	Banks and Other Financial Institutions Act
BOI	-	Bank of Industry
CAC	-	Corporate Affairs Commission
CAR	-	Capital Adequacy Ratio
CB	-	Community Bank
CBN	-	Central Bank of Nigeria
CEO	-	Chief Executive Officer
CIBN	-	Chartered Institute of Bankers of Nigeria
COBAC	-	La Commission Bancaire de L'Afrique Centrale
CRMS	-	Credit Risk Management System
CRR	-	Cash Reserve Requirement
CTR	-	Currency Transaction Reports
DFI	-	Development Finance Institution
ECOWAS	-	Economic Community of West African States
eFASS	-	electronic Financial Analysis and Surveillance System
EFCC	-	Economic and Financial Crimes Commission
FATF	-	Financial Action Task Force
FBN	-	First Bank of Nigeria
FC	-	Finance Companies
FHAN	-	Finance Houses Association of Nigeria
FIRS	-	Federal Inland Revenue Service
FITC	-	Financial Institutions Training Centre
FIU	-	Financial Intelligent Unit
FMBN	-	Federal Mortgage Bank of Nigeria
FSA	-	Financial Services Authority

FSRCC	-	Financial Services Regulation Co-ordinating Committee
FSS	-	Financial System Strategy
GDP	-	Gross Domestic Product
ICPC	-	Independent Corrupt Practices Commission
ICT	-	Information Communication Technology
IDC	-	Industrial Development Corporation
IFC	-	International Finance Corporation
IFEM	-	Inter-bank Foreign Exchange Market
IMF	-	International Monetary Fund
IT	-	Information Technology
KYC	-	Know Your Customer
MFB	-	Microfinance Bank
MFI	-	Microfinance Institutions
MOFI	-	Ministry of Finance Incorporated
MOU	-	Memorandum of Understanding
MPD	-	Monetary Policy Department
MPR	-	Monetary Policy Rate
MRR	-	Minimum Rediscount Rate
MSME	-	Micro, Small and Medium Enterprise
NACOB	-	National Association of Community Banks
NACRDB	-	Nigeria Agricultural Co-operative and Rural Development Bank
NASS	-	National Assembly
NCCT	-	Non Co-operative Countries and Territories
NDIC	-	Nigeria Deposit Insurance Corporation
NDLEA	-	National Drug Law Enforcement Agency
NEXIM	-	Nigeria Export - Import Bank
NFIU	-	Nigeria Financial Intelligent Unit
NGO-MFI	-	Non-governmental Organisation-Microfinance Institution
NHF	-	National Housing Fund
NIBSS	-	Nigerian Inter Bank Settlement System
NIPOST	-	Nigerian Postal Service
NPL	-	Non-Performing Loan
NSE	-	Nigerian Stock Exchange

OECD	-	Organisation for Economic Co-operation and Development
OFI	-	Other Financial Institutions
OFID	-	Other Financial Institutions Department
OMO	-	Open Market Operations
OSFI	-	Office of the Superintendent of Financial Institution
P&A	-	Purchase and Assumption
P&L	-	Profit and Loss
PBT	-	Profit Before Tax
PEP	-	Politically Exposed Person
PER	-	Pre-Examination Returns
PLC	-	Public Liability Company
PMI	-	Primary Mortgage Institutions
PN	-	Promissory Note
RBS	-	Risk Based Supervision
RI	-	Reporting Institution
RMP	-	Risk Mitigation Programme
ROA	-	Return on Assets
ROE	-	Return on Equity
RTGS	-	Real Time Gross Settlement
SEC	-	Securities and Exchange Commission
SMEEIS	-	Small and Medium Enterprises Equity Investment Scheme
SMIEIS	-	Small and Medium Industries Equity Investment Scheme
STR	-	Suspicious Transaction Report
UBA	-	United Bank of Africa
UDB	-	Urban Development Bank
UOMA	-	La Commission Bancaire de L'Union Montetaire' L'Ouest
WAFSA	-	West African Financial Supervisory Authority
WAIFEM	-	West African Institute for Financial and Economic Management
WAMI	-	West African Monetary Institute
WAMU	-	West African Monetary Unit
WAMZ	-	West African Monetary Zone

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