

ABRIDGED NDIC 2002 ANNUAL REPORT AND STATEMENT OF ACCOUNTS

Below is a highly abridged version of the Nigeria Deposit Insurance Corporation's Annual report and Statement of Accounts for the year ended December 31, 2002.

Banks Operating Environment and Performance in 2002

The banks' operating environment in 2002 was significantly better than that of the preceding year. Inflation rate that accelerated and peaked at 18.9 per cent in December 2001 declined to 13.2 per cent in November 2002. Interest rates were moderate and stable during the year. The collaborative efforts of both the regulators/supervisors and operators made the banking business environment more favourable as insured bank's total assets grew by 21.7 per cent from =N=2,449.1 billion in 2001 to =N=2,980.5 billion in 2002. Also total deposits mobilized by the insured banks increased by 20.6 per cent from =N=1,017.2 billion in 2001 to =N=1,226.6 billion in 2002. The ratio of banks' total assets to GDP and that of deposits to GDP increased from 44 per cent and 18.3 per cent in 2001 to 52 per cent and 21.4 per cent in 2002, respectively. Total credit granted by insured banks increased from =N=803.0 billion in 2001 to =N=938.69 billion in 2002. However, the asset quality of the insured banks deteriorated as the ratio of non-performing loans and advances to total loans and advances increased from 16.90 per cent to 21.27 per cent between 2001 and 2002. In addition, the profitability of insured banks declined in 2002 as they recorded a profit before tax of =N=93.2 billion compared to =N=95.12 billion earned in the preceding year.

NDIC Operations

Supervision of insured deposit-taking financial institutions in the country, an integral part of the mechanism for ensuring safe and sound banking practices, is a major responsibility of the Corporation. The process involves on-site examination and off-site surveillance that are mutually reinforcing.

In 2002, 59 banks were examined as against 54 in 2001. The major findings of the on-site examinations included prevalence of breaches of various banking laws, rules and regulations. Another was lack of transparency in financial reporting. In addition to the on-site examination, the Corporation maintained surveillance on the financial condition of insured banks through the analysis of statutory returns rendered by the banks.

In order to enhance its capacity for on-line rendition of bank returns and web-enabled Bank Data Entry (BDE), the Corporation together with the Central Bank of Nigeria (CBN) embarked on the enhancement of the Bank Analysis System (BAS) during the year. Extensive review of the various modules in the system and development of business requirements that commenced in 2001 were concluded in 2002. Requests for Proposal (RFP) were issued to some identified companies to bid for the project development. The technical bids were opened and evaluated, and subsequently, the financial bids were processed.

The Corporation continued with the liquidation of thirty-three (33) banks whose licenses were revoked by the CBN. Also during the year, the banking license of Savannah Bank

of Nigeria Plc was revoked. However the closing exercise was suspended following law suits instituted by the bank. The major liquidation activities undertaken by the Corporation during the year included debt recovery, realisation of physical assets, payment of insured deposits claims and payment of liquidation dividends to depositors whose claims exceeded the deposit insurance limit of =N=50,000.00 as well as creditors of the banks in liquidation.

As at December 31, 2002, the Corporation had paid out the sum of =N=3.3 billion to insured depositors of the 33 banks in liquidation. This amount represented 63% of the total insured deposit for the banks. As at December 31, 2002, the Corporation had declared a liquidation dividend of =N=7.5 billion for 30 out of the 33 banks in liquidation. Out of this amount, the sum of =N=3.9 billion, about 52% had been paid out. Contrary to the wrongly held notion in some sections of the public that the Corporation pays depositors only to the extent of the insured amount of =N=50,000.00, five out of the 33 banks in liquidation had actually declared 100% dividend to their depositors. These are Pan African Bank Ltd, Nigeria Merchant Bank Ltd, Amicable Bank Ltd, Kapital Merchant Bank Ltd, and ABC Merchant Bank Ltd. This implies that all the depositors of the five banks were fully refunded their deposits.

The Corporation paid out the sum of =N=167 million as liquidation dividend to the creditors of Pan African Bank Ltd as at December 31, 2002. This represented 67% of the amount declared to the bank's general creditors. In the same manner, Amicable Bank declared 100% dividend to its preferred creditors and 10% to other creditors. The

shareholders of Nigeria Merchant Bank had received a cumulative liquidation dividend of =N=550 million after the settlement of and/or making adequate provisions for claims of depositors and other creditors of the bank.

Bank Information/Data

As at December 31, 2002, there were 90 banks with a total of 2,909 branches and offices in Nigeria. The distribution of bank branches/office among the 36 states of the Federation and the Federal Capital Territory indicated that Lagos State had 805 (or 27.7 per cent of the total) while Rivers State came second with a total of 161 branches/office. The distribution of the branches/office per bank showed that First Bank of Nigeria Plc maintained the lead with a total of 353 branches and was followed by Union Bank of Nigeria Plc with 294 branches.

Financial Statement as at December 31, 2002

	2002 =N=000	2001 =N=000
Assets		
Cash and Bank Balances	120,330	701,843
Investment in Treasury Bills	49,094,624	32,467,707
Debtors and Prepayments	1,162,964	1,647,650
Call in Arrears	102,500	102,500
Fixed Assets	<u>3,272,796</u>	<u>2,977,137</u>
	<u>53,753,214</u>	<u>37,896,837</u>
Liabilities		
Compensation Due to Insured Depositors	8,169,000	1,447,389
Due to Banks	96,371	269,994
Sundry Creditors	255,323	163,554
Accrued Expenses	723,886	405,011
Due to Staff Pension Fund	348,709	344,292

Unearned Income	1,214,117	811,442
Motor Vehicle Insurance Sinking Fund	<u>62,427</u>	-----
	<u>10,869,833</u>	<u>3,441,682</u>
Called-Up Share Capital	2,300,000	2,300,000
General Reserve Fund	10,533,738	5,817,750
Deposit Insurance Fund	<u>30,049,643</u>	<u>26,337,405</u>
	<u>42,833,381</u>	<u>34,455,155</u>
Total Liabilities and Reserves	<u>53,753,214</u>	<u>37,896,837</u>
Contingent liabilities	<u>24,932,000</u>	<u>30,348,200</u>
Gross Earnings	<u>8,384,139</u>	<u>4,913,436</u>
Operating Surplus	<u>4,715,988</u>	<u>2,139,377</u>