

2022 FIRST CAPITAL MARKET COMMITTEE (CMC) WEBINAR MEETING

by

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□ Introduction

□ Important Developments with Implication on Capital Market

□ Challenges/Steps Taken



□ Factors Responsible for the Developments

□ Issues for CMC Deliberation

Introduction

Most Nigerian banks (14) trade in the Nigerian Stock Exchange (NGX). Moreover, some of these banks, especially financial holding companies (Holdcos) also registered with Securities and Exchange Commission as an issuing house and as an underwriter, among others.

The NDIC, in collaboration with the CBN, continued to conduct supervision of insured financial institutions (Banks) through on-site and off-site surveillance.

The supervisory activities were aimed at protecting depositors, minimise risk exposure of the deposit insurance fund, ensure safe and sound banking practices, support vibrant capital market and by extension financial system stability.

Important Developments

The CBN and NDIC conducted on-site examination in the form of joint Risk Based Supervision (RBS) and Risk assets examinations of Deposit Money Banks (DMBs), Non-Interest Banks (NIBs) and financial holding companies (Holdcos).

The Risk assets examination focused on assessing the quality of risk assets, adequacy of loan loss provisions and the weighted capital ratios of DMBs, while the Risk Based Examination appraised the risk management processes of the banks. A total of thirty-four (34) financial institutions were examined comprising of 27 DMBs, a maiden examination of merchant bank, 2 and 4 financial holding companies (Holdcos). Specifically, the NDIC led the examination of 7 of the 34 institutions comprising of 6 DMBs and 1 NIB.

Important Developments Continued

The off-site surveillance of banks involve an analysis of returns rendered by insured financial institutions using financial analysis system (FinA). The analysis showed a declining trend of banking industry's Non-performing loan (NPL) ratio of 4.84% in April 2022 from 4.90% in December 2021, which are both below the regulatory threshold of 5%. This demonstrated the resilience of the banking sector in spite of the lingering new variants of covid-19 virus that threatened the fragile global economy recovery in 2021.

Furthermore, the Banking industry's Liquidity Ratio (LR) stood at 43.5 per cent in February 2022, above its prudential limit at 30 per cent, while the Capital Adequacy Ratio (CAR), weakened slightly to 14.4 per cent in February 2022 compared with 14.5 per cent in December 2021.

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Important Developments Continued

Investigations/Consumer Protection

The NDIC continued to investigate complaints from DMB's customers and other stakeholders. A total of 239 petitions/complaints were investigated as at December 31, 2021 with 153 were resolved. These measures were aimed at engendering depositor confidence in the banking as well as the financial system. The nature of customers included unauthorized fund transfers & ATM withdrawals, excessive charges, conversion of cheques and suppression of deposits, among others.

Factors responsible for the developments

- Improved internal control system;
- Improved risk management practices;
- Robust loan underwriting and administration procedures.

Steps taken

The CBN/NDIC jointly carried out Cybersecurity Assessment Review of 20 DMBs with NDIC leading 3 out of the 5 teams constituted for the assignment. The examination entailed both off-site review of the Cybersecurity Self-Assessment Tools (CATs) submitted by the DMBs as at March 2021 and on-site validation of the CATs. The draft examination reports were currently undergoing further quality control by the CBN/NDIC Quality Control Committee, preparatory to issuance.