

LAGOS, Fri, Aug 5 2011

PRESS BRIEFING BY NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC)

RESOLUTION OF FAILING BANKS THROUGH THE ESTABLISHMENT OF BRIDGE BANKS

In July 2009, the Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) carried out a special examination of all 24 deposit banks in Nigeria, with the aim of assessing their health, with particular focus on liquidity, capital adequacy, risk management and corporate governance practices.

Ten (10) banks were adjudged to be in grave states with deficiencies in capital adequacy. Of these, eight (8) also had significant deficiencies in liquidity, risk management practices and corporate governance policies. The Managing and Executive Directors of these 8 were immediately replaced, and all the 10 banks were bailed out by the injection of fresh capital totaling about N620 billion, in the form of Tier 2 Capital.

It has been two years since the commencement of the banking reforms and to date, two of the banks (Wema Bank Plc and Unity Bank Plc) have been successfully recapitalized, while four banks (Union Bank of Nigeria Plc, Intercontinental Bank Plc, Finbank Plc and Oceanic Bank International Plc) have signed legally-binding Transaction Implementation Agreements (TIAs), a significant step towards recapitalization by the deadline of September 30th set by the CBN. Equitorial Trust Bank (ETB) Ltd is currently in the final stage of negotiation with a prospective investor with strong likelihood that it will meet the recapitalization deadline.

However, the remaining 3 banks (Afribank Plc, Bank PHB Plc and Spring Bank Plc), have not shown the necessary capacity and ability to recapitalize within the September 30th deadline.

Accordingly, in the interest of depositors and to prevent liquidation which will have dire consequences for depositors and undermine public confidence in the banking system, pursuant to the provisions of the NDIC Act, the Corporation, after due consultation with the CBN and Federal Ministry of Finance and with the full support of the Federal Government, has resolved the problems of the three banks through **the Bridge Bank mechanism**.

To this effect, the assets and liabilities of the affected banks, whose licenses have now been revoked by the CBN, have been duly transferred by the Corporation to newly incorporated Bridge Banks as follows:

1. **Mainstreet Bank Limited** has assumed the assets and liabilities of Afribank Nigeria Plc.
2. **Keystone Bank Limited** has assumed the assets and liabilities of Bank PHB Plc.
3. **Enterprise Bank Limited** has assumed the assets and liabilities of Spring Bank Plc.

The Corporation is encouraged by the provision of the Bridge Bank option in our law, to resolve the problems in the banking sector. The Bridge Bank option is a veritable tool of enhancing depositor protection and promoting confidence by ensuring seamless continuity of banking operations.

The NDIC will operate the Bridge Banks until such a time that we engage the Asset Management Company of Nigeria (AMCON) with a view to capitalizing the Bridge Banks. AMCON is expected to open up negotiations with investors who may be interested in capitalizing the Bridge Banks.

With this action, a resolution of the crisis in the Nigerian banking system is assured, as it brings certainty and stability to the banking system.

It is worthy of note, that unlike other parts of the world where depositors lost funds in the resolution of banking crises, NO depositor lost any funds in this reform process in Nigeria.

This is indeed in line with the avowed commitment of the Federal Government, and Mr President in particular, to ensure that Nigerian depositors do not suffer the trauma and suffering associated with bank liquidations.

Signed:

Management

NIGERIA DEPOSIT INSURANCE CORPORATION