

NEXTZON INSIGHT & PREDICTIONS



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While the news of the revocation of the operating license of Skye bank continue to dominate public discussions, of concern is its systemic important and the impact of its failure to the current fragile economy.

This led to the incorporation of a bridge bank – Polaris, and thus the justification of a single digit interest long-term facility of N786 billion. Two years earlier (July 2016), following the sack of the Board and Executive Management of the troubled bank, the sum of N350 billion was ploughed into the badly run financial institution to save it from collapse.

The Central bank of Nigeria CBN framework on the regulation and supervision of domestic Systemically Important Banks in Nigeria, defines a Systemically Important Financial Institution (SIFI) as a bank, insurance company or other financial institution whose failure might trigger a financial crisis based on its size, interconnectedness, substitutability and complexity. In other words; too big to fail.

Skye bank as at the 2015 full year published annual report, had a total asset of N1.18trillion of which 59% were in loans and advances; 20% in cash balances with the CBN and other financial institutions; and another 14.5% in realizable investments (not including property plant and equipment PPE). This was financed by customer deposits of N754billion and borrowing from local and foreign institutions of N216billion amidst other liabilities. During this period, it made a loss of N41.8billion from a profit position of N13.5billion the previous year; same period it acquired Mainstreet bank (defunct Afribank).

In the past years, Skye Bank has been troubled due to serial corporate governance lapses, liquidity and other challenges, amongst which were insider trading, non-performing loans, non-compliance with the remission of government funds to the Treasury Single Account (TSA).

All of these red flags ignored or not effectively tended to could have rippled the financial sector of the country; a tragedy that the regulators who have complete access to the financial health status of banks from the monthly comprehensive SIB reports submitted to it, could not have claimed ignorance.

SUMMARY OF ECONOMIC PERFORMANCE

GDP Growth	1.50%	Q2
Exchange Rate (Interbank)	305.78	↑
Exchange Rate (Parallel)*	359.00 (August)	↓
Exchange Rate (Pilgrimage)	305.00	=
Oil Price/barrel	\$73.29	↑
External Reserves	\$44.31bn	↓
Inflation Rate	11.23% (August)	↑
MPR	14.00%	=
Avg. Crude oil Prod vol (daily)	1.75mbpd	↑

The regulatory body has not fully justified the confidence imposed on it by depositors to carry out its supervisory oversight function of ensuring financial institutions are not distressed and in dire straits.

The CBN needs to put in place effective and efficient monitoring frameworks and systems for early detection of distressed and insolvent institutions while implementing corrective measures and preventive mechanisms for identified ones. Equally important is the immediate prioritization of the monthly systemically important banking report submitted by financial institutions, while also ensuring that templates are reviewed to meet the realities of the digital economy and growth in the financial services industry.

The rescue mission approach of the apex bank does not seem to be effective as the case studies of the previously nationalized and sold banking entities are clear indicators of unplanned and unstructured measures.



SECTOR WATCHLIST

FINANCIAL SECTOR



- ❖ Nigeria's recently incorporated Polaris Bank Limited, the bridge bank licensed by the Nigeria's financial regulatory bodies to take over the assets, all deposit liabilities and other liabilities of the erstwhile Skye Bank.
- ❖ Latest data from the Nigerian Stock Exchange shows a total of N435.41bn was withdrawn from the market from January to July this year, compared to an outflow of N236.32bn in the same period in 2017.
- ❖ The market capitalization of listed equities fell by N73bn as 21 stocks recorded price depreciation on the 28th of September. Market capitalization dropped to N11.961tn from N12.034tn and the year- to - date loss also worsened to -14.3 per cent.
- ❖ National Bureau of Statistics (NBS) foreign and domestic debt report for second quarter 2018(Q2'18) reveals foreign borrowings of \$10.88 billion from multilateral agencies, \$274.98 million from bilateral (AFD) and \$2.12 billion bilateral from Exim Bank of China, JICA, India and KFW. Commercial debt is a total of \$8.80 billion.
- ❖ Lagos state, Edo and Kaduna rank the most indebted states on the list of foreign debt profile with 34.17%(Lagos), 6.57%(Edo), and 5.48%(Kaduna) respectively.
- ❖ Central Bank of Nigeria (CBN) and the Bureau of Public Enterprises (BPE) reached an agreement for the sale of the Federal Government's N12.4 billion shares in Nigerian Security Printing and Minting company (NSPMC) to CBN.
- ❖ Federal Inland Revenue Service (FIRS) reveals it generated N3.5 trillion for Federal Government between the months of January and September 2018 by freezing a total number of 6,772, "TINs and no pay," and "no TIN and no pay" accounts, TIN(Taxpayer Identification Numbers). The revenue obtained is N1trillion higher than the amount obtained at the corresponding period of 2017.

AGRICULTURE



- ❖ The Nigeria Export-Import Bank (NEXIM) has earmarked the sum of N37 billion for the 36 states of the federation and the Federal Capital Territory (FCT), to diversify their revenue base.
- ❖ The African Development Bank (ADB) is set to spend \$24bn on agriculture across African nations in the next 10-year period in a bid to fight hunger ravaging one billion people across the world.
- ❖ AfDB said it had inaugurated the Technologies for African Agricultural Transformation, a \$1bn initiative to extend the use of farm technologies.
- ❖ Federal government praises the Central Bank of Nigeria (CBN) and the Bankers Committee for slashing interest rate from 25 percent to 9 percent to enable farmers have access to loans, particularly under the Real Sector Support Fund (RSSF).
- ❖ The Federal Government considers discussing with banks like the Nigeria Incentive-based Risk Sharing System for Agriculture Lending (NIRSAL) to help reduce the lending rate for loans to farmers, preferably to 5 percent.
- ❖ Nigeria and Germany have signed two Memoranda of Understanding (MOU) in agriculture and commerce. The second agreement was signed between the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) and the PETKUS Technologie GmbH; a company that specializes in post-harvest agricultural value chain.
- ❖ World Bank has once more reduced its growth projection on Nigeria in 2018 to 1.9 per cent, down from the 2.1 per cent it had estimated for the country in April. This is based on contraction in the agricultural sector caused by farmers and herders' crisis recorded by the country for the most part of this year.

SME SECTOR



- ❖ Ecobank Nigeria launch the Emerald Ecobank Business Club, which aims to widen the opportunities for Small and Medium Enterprises (SMEs) through the creation of direct links with its operational footprints in 33 African markets.
- ❖ The Governor, Central Bank of Nigeria (CBN), Mr Godwin Emefiele acknowledges that the apex bank is committed in positioning the economy on the path of growth by supporting small businesses in the country with 15 intervention programs for the Small Medium Enterprises (SMEs) in the agribusiness sector.
- ❖ MTN and Google train 40 SMEs on digital marketing and Software developer.
- ❖ Mr Austin Agbakor, the Chief Executive Officer of 'Softwareshop' raised the importance of orientating Small and Medium-Scale Enterprises (SMEs) to establish online presence to reach and connect to the world.
- ❖ Mr Gabriel Igboko, Abia Commissioner for Small and Medium Enterprises (SMEs), says Abia State Government has concluded plans to establish SME microfinance bank in October to assist small scale entrepreneurs in the state.

TELECOM SECTOR



- ❖ Sharp practices (SIM Box, Call masking and refilling menace) are costing the Nigeria's telecommunications industry and the economy over \$3 billion (N1.06 trillion) in losses.

AVIATION



- ❖ 6000 beneficiaries, under the aegis of Nigerian Union of Pensioners (NUP), Nigeria Airways branch, on 27th September sat at a meeting with the Presidential Payment Committee in Abuja, to fashion out the modality of disbursement of the approved sum of N22.68 billion, a part payment of the sum of N45 billion the Federal Executive Council (FEC) approved over a year ago.
- ❖ Federal Government promises to provide \$55m upfront grant in order to ensure the take-off of the Nigerian airline before the end of this year.

ENTERTAINMENT



- ❖ Davido, Tiwa Savage, Ramsey Noah, Funke Akindele, Bovi and more have been nominated in the maiden edition of Greenview Awards set to hold on November 11, 2018.
- ❖ Miss Imo, Anita Ukah, beats 36 other contestants and emerges winner of the Most Beautiful Girl in Nigeria, MBGN, 2018. She will represent Nigeria at the Miss World 2018 in China.
- ❖ The 56-year-old Femi Kuti, who is also an Afrobeat maestro reveals to the Cable that he hasn't listened to music despite playing since year 2000.

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