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# MONEYCENTRAL



MARKET MOVING NEWS, DATA & ANALYSIS | Monday 20th - 26th September 2021

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**N200**

# Emefiele's summer season mistake responsible for FX crisis

- As naira falls, CBN doubles down on BDC dollar ban
- AbokiFX suspends parallel market quotes

BALA AUGIE

Analysts say Central Bank of Nigeria (CBN) Governor Godwin Emefiele's decision to restrict the supply of foreign exchange to the Bureau De Change (BDCs) during the summer period is responsible for the severe pressure on the exchange rate.

The Naira at the parallel market had depreciated by 8.2 percent to N550/\$, while the I&E window has remained relatively stable, currently at N412.75/U\$. Thus, the parallel market premium had worsened to 33 percent from 23 percent when the policy was made on 27 July 2021.

There usually used to be a rush for foreign currencies during the summer period as customers have to meet travel expenses and school fees, and the policy maker ought to have taken the decision in the last quarter of the year, analysts said.

"While the CBN's action

seems justified based on the illicit financial behaviour of the BDC operators, we believe

the timing of the ban (summer period: June-August) is inopportune. The summer period

is characterized by pent-up FX demand to meet personal travels

*Continues on page 14*



Chinua Azubike, CEO InfraCredit (the Guarantor to Lagos Free Zone 20-Year Series I Bonds) and Ashish Khemka, CFO, Lagos Free Zone Company at the Signing Ceremony of the first 20-Year non-FGN Bond in Nigeria.

## COMPANIES & MARKETS

C and I Leasing' high leverage ratio validates debt to equity swap

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Dangote Cement generates more profit than middle east, North Africa peers



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Insurers cede N108.90 bn of premium to reinsurers in 2020

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## LEADERS



Chief Sabastine Tartenger Hon, SAN, the celebrated lawyer

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## MARKET EAR

Corporate Nigeria's profit jumps 33.10% to N1.07 trillion in second quarter

Pg. 15

## NSE INDICES (WEEKLY)

All share  
38,943.87  
0.06%

NGX 30  
1,617.37  
0.10%

## BONDS/FORWARD

FGN  
23-JUL-30  
11.94

FX (\$/N)  
31-AUG-22  
436.88

## BDC Exchange Rates

Buy  
555

Sell  
565

\$ - NGN  
765

£ - NGN  
780

€ - NGN  
640

## COMMODITIES

BRENT (ICE)  
75.34  
USD/bbl  
2.47

GOLD Spot  
1,754.34  
USD/t.oz  
73.39

## Bitcoin (BTC)

\$48,515  
N27,497 M

## I&E FX Window

\$ - NGN  
Turnover  
412.88  
\$229.79m

## MARKETS

# FMDQ says 23% of revenues come from CBN in response to MoneyCentral report

JESSICA MAURICE

FMDQ in a detailed response to an August 23 report by MoneyCentral that its revenues come largely from fees paid to it by the Central Bank of Nigeria (CBN), said its revenues are from diverse sources,

contrary to what was reported.

These include 23% (2019: 8%) from the CBN (as a transaction party in the OTC FX Futures market), 41% (2019: 53%) from clients (local and foreign), 17% (2019: 14%) from Dealing Member (Banks) and 18% (2019: 25%) from other sources

including securities admissions, interest income, settlement and depository services, private market notings, amongst others.

FMDQ also said its CEO, Bola Onadele.Koko was issued stock options as part of his compensation, vesting at the end of his contract, based

on pre-specified key performance indicators.

"As the stock options are not due to be exercised till 2024, no cash settlement has been made to the CEO, and none will be until the terms of the agreement are fully met at the end of his contract," the response noted.

"The stock options as at Dec 31, 2020, as professionally valued by our External Auditor, KPMG, is N2.51bn as accounted for in our financial statements. There is no record of the N4.66bn in our financial statements."

**Please see the detailed FMDQ response on page 10.**

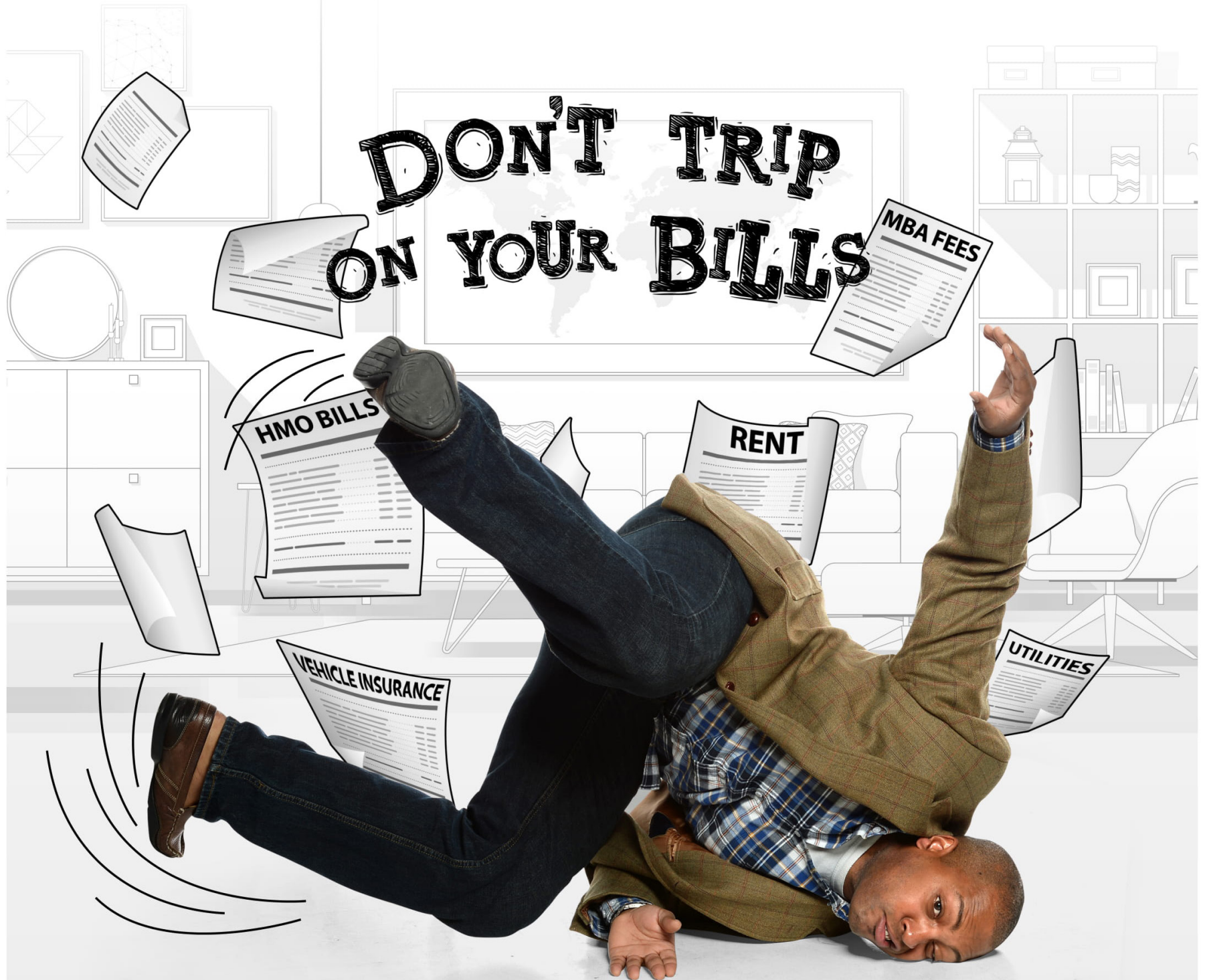
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## NATIONAL

# FG to spend N38.4 billion on road projects in 5 states

ABDULWAHEED OLAYINKA  
ADUBI

Following the Federal Executive Council (FEC) meeting held on Wednesday, the sum of N38.4 billion has been approved for the completion of inherited road projects in five states of the federation.

The Minister of Works and Housing, Babatunde Fashola in a press briefing with State House correspondents at the end of the Council's meeting in Abuja, named the states to include; Benue, Bayelsa, Anambra, Imo and Nasarawa.

According to the minister, the projects were inherited from the past administrations, adding that the said projects relate to cost revision because of the ages of the contracts and the prices of goods that have changed.

Said he; "the first one was the contract for a 13.5km spur road from Onitsha-Owerri road through Okija-Ihemboji-For Ugbor to Ezinifite in Nnewi South Local Government Area of Anambra.

"That contract was awarded in 2011 but wasn't funded until this



Fashola

administration came in so the contractor is asking us to revise the contract by a review of N488, 980, 891 million and an additional completion period of six months and the council approved that review of price and the extended completion period.

He added that the second one is the 20-kilometre dualization of Yenagoa road junction to Kolo and Otuoke and Bayelsa Palm in Bayelsa State, which was initially awarded in December 2014 on the eve

of the tenure of the last administration and couldn't even take off because of militancy issues at the time and also very limited budget provisions.

"It is one of the contracts that we have since activated with the Sukuk Bond.

"So, the dualization is progressing but there is some additional work that needs to be done. There are also results of further investigations that support a revision of the contract by N7.947 billion and this

was approved by the council," he said.

He also explained that the third contract was for the completion of a road linking Nasarawa and Benue States, disclosing that the area is the 74 kilometre Nasarawa to Loko Road, which was initially awarded in 2006.

While briefing the press, the minister further said that the road links the Loko-Oweto Bridge, which the FG inherited and had since been completed, just as he said that the Loko-Oweto Bridge links Nasarawa to Benue, across the River Benue and also connects to the Oweto to Osogbo Road, which was also inherited but has been completed.

He added saying; "what we've proposed was that instead of going through the long process of termination and all of that, we proposed and Council agreed that the contractor who finished the bridge and the contractor who finished the road, because they were all awarded to different contractors before we came, should join this contractor and take up the remainder."

## JOBS

## FG launches action plan to tackle youth unemployment Crisis

ABDULWAHEED OLAYINKA  
ADUBI

The Minister of Youth and Sports Development, Sunday Dare, has disclosed that the Federal Government is set to launch a plan called the Nigerian Youth Employment Action Plan (NIYEAP 2021-2024).

The Minister said that the launch of NIYEAP was part of President's Buhari's poverty and unemployment reduction objectives.

In a statement, Dare explained that the plan is an effort to continue to facilitate an enabling environment that will create about 3.7 million jobs annually.

He also said that the aim of the plan is to achieve national development goals, particularly, sustainable economic growth in the country, just as the minister said that the youth must and should be regarded as a viable investment that can yield positive benefits for all spheres of the socio-economic progress, better than a group targeted for periodic empowerment interventions.

The Minister added that it is important to state the economic and social consequences of youth unemployment transcends the youth group. It has also resulted in missed economic opportunities for the nation.

According to him, the

plan will emphasise the 4Es, which are: Employability, Entrepreneurship Development, Employment Creation, and Equality and rights, with detailed actions required in support of employment creation for youths in critical economic and social sectors, including the financing, implementation, monitoring and evaluation frameworks.

He stated, "Youth inclusion is about skilled human capital, social and economic stability, a vibrant and healthy labour force, which will also engender political stability and national growth and development," he said.

"Sectors such as Digital Economy, Rural Economy, Green Economy and Renewable energy sector, Manufacturing, Tourism, Construction and Services. The Plan will also ensure the inclusion of partners across sectors and will create a robust partnership base through which my Ministry will ensure wider reach of youth employment programmes across the country.

"To ensure inclusion from the grassroots, the Ministry of Youth and Sport will also be convening zonal inception workshops on the NIYEAP. Stakeholders from the 36 States and the Federal Capital Territory will be included in the implementation of the plan," he said.

## TAX

## Ondo Internal Revenue Service vows to implement VAT law

ABDULWAHEED OLAYINKA  
ADUBI

The Ondo State Internal Revenue Service (ODIRS) has declared that it will implement the law on Valued Added Taxes that has been passed by the state after it has concluded its own research.

The Executive Chairman of the agency, Mr Tolu Ad-

egbie, disclosed this during a conference in Akure.

While speaking, he added that the collection of the Hotel Consumption Tax has, however, started and it is different from VAT.

According to him, "we will implement the law that has been passed by the state and we have done our research and passed our observations and at the appro-

priate time, the government will take a decision.

"But if the case is won in favour of the state, what happens? It means that we will be collecting VAT.

"The implementation of the consumption law has started now. We have written to hotels in the state, but some are still confused saying it is the same as VAT. "They are not. While they

may both be consumption tax, one is based on sales and goes to a specific section of the economy which is hotel and restaurant, while the other is on value on transaction.

"So, those hotels writing to us that VAT case is in court should know that Hotel Consumption Tax is not in court. It's not subjected to litigation in any court in Nigeria."

## EDUCATION POLICY

## Edo poly to become health, safety, environment training hub

... to commence programme in industrial safety, environment engineering tech

SEUN PETERS

The Edo State Polytechnic, Usen, is set to become a Health, Safety and Environment (HSE) training hub in Edo State through a partnership with the Institute of Safety Professionals of Nigeria (ISPON) and other collaborators.

The institution is also set to commence the National Diploma (ND) programme in Industrial Safety and Environmental Engineering Technology.

This was disclosed at the 5th Eminent Scholar Series with the theme, 'Engagement of Safety in the Environment', which was held virtually.

The Guest Speaker at the lecture, Engr. Abdulmajid Mohammed Na'Inna, noted that the Air Force Institute of Technology (AFIT), Kaduna is ready to partner with the polytechnic to deepen teaching and research in aircraft engineering and aeronautics.

He lauded the determination of the rector of polytechnic, Prof. Abiodun Falodun, in repositioning the institution for excellence, stating that there has been a transformational change at the polytechnic since he mounted the saddle.

On his part, Prof. Falodun noted that partnerships have been brokered with relevant professional bodies to position the school as the leading training facility for HSE in the state, noting that the development was borne out of the commitment to provide well-skilled manpower to drive industrial growth.

He said the new programme in Industrial Safety and Environmental Engineering Technology would pull in professionals and academics to deliver bespoke training in industrial processes and safety management for technicians that would contribute to the development of the state and the country at large.

## ECONOMY

## Nigeria to close output gap with significant growth in GDP before end of 2021 - CBN

ABDULWAHEED OLAYINKA  
ADUBI

The Governor of the Central Bank of Nigeria, Godwin Emefiele, has expressed optimism of Nigeria closing the output gap with a significant growth in GDP before the end of 2021.

Emefiele, in his speech at the 14th annual Banking and Finance Conference organized by the Chartered Institute of Bankers of Nigeria (CIBN), themed "Economic Recovery, Inclusion and

Transformation: The Role of Banking and Finance," said that the output gap was caused by the 2020 recession.

According to the CBN Governor, with continued improvements in the economy, he is optimistic that by the end of the year, the nation's economy will not only close the output gap brought about by the 2020 recession, but that country's economy would end the year with an annual GDP growth of between 2.5 - 3%, up from -1.92 per cent in 2020.

He also disclosed that be-

tween 2015 and 2020, close to \$500 million has been invested in enterprises operated by Nigerian founders, demonstrating the country's faith in its payment system.

While speaking at the event, Emefiele further explained that Nigeria's robust payment system had continued to improve in order to fulfill the needs of Nigerian households and companies.

Emefiele applauded the theme of the conference, saying that it was appropriate considering the exceptional

occurrences of 2020, especially when viewed in light of policymakers' efforts to reverse a major slump in economic activity last year.

The output gap is an economic measure of the difference between the actual output of an economy and its potential output. Just as GDP can rise or fall, the output gap can go in two directions: positive and negative. A negative output gap occurs when actual output is less than potential full-capacity output.



## NATIONAL (NORTH)

# Gombe Governor to help youths harness potentials

ABDULWAHEED OLAYINKA  
ADUBI, Kaduna

Gombe State governor, Muhammadu Inuwa Yahaya is committed to creating an environment where the younger generation can realise their God-given potentials.

The director-general, Press Affairs, in Government House, Gombe, Ismaila Uba Misilli made the position of his principal known when he received a delegation from Gombe Marathon, led by its convener, Pharmacist Shedrach Nzomisaki at the Government House.

Gombe Marathon is an annual competition organised by a group of young men and women in Gombe to discourage the use of illicit drugs among the youths while



giving cash prizes to those who distinguish themselves in the run for a drug-free society.

To this effect, Misilli said Governor Yahaya is appalled by the 21 per cent prevalence

rate in illicit drugs use in the State, hence his recent visit to the chairman of the National Drugs Law Enforcement Agency, NDLEA, Brigadier General Buba Marwa, Rtd

to discuss modalities and strengthen synergy on how to wage war on the scourge.

The spokesman of the governor applauded the group for initiating the annual Gombe Marathon which seeks to discourage the consumption of illicit drugs among the youths.

"Anything that has to do with the youth, the governor is keen on it and I can assure that yours will not be an exception," Misilli said.

Earlier, the convener of Gombe Marathon, Shedrach Nzomisaki, said the annual exercise is aimed at running for a drug-free Gombe State and by extension Nigeria.

He appealed to the state government to partner with the initiative so that the dream of Governor Muhammadu Inuwa Yahaya for a drug-free Gombe State can be achieved.

## SECURITY

## AbdulRazaq seeks improved security presence as IGP visits Kwara

...Says state recording visible population, economic growth

ABDULWAHEED OLAYINKA  
ADUBI, Kaduna

Kwara State Governor AbdulRahman AbdulRazaq has called for increased presence of policemen and other security officials in the state to fortify the state and enhance its socio-economic development.

"Our challenges are enormous. Being a relatively safe state, security agencies tend to be comfortable with Kwara and that explains why they often take out forces from Kwara to bolster security elsewhere. For example, the Army has taken most of their men to the Northeast and we are making efforts to get them back.

For the police, our need is about 8,000-10,000 men but we have only about 3,000 now. Many officers of the two mobile squadrons here have been moved out. I am saying this because we definitely need more men on ground here," AbdulRazaq said when he received the Inspector General of Police Usman Alkali Baba at the presidential lodge in Ilorin.

"The recent ban on grazing by Southern Governors and some security issues in our neighbouring states have resulted in an influx of internally displaced persons to Kwara. In many parts of some of our villages, the communities are

outnumbered by those that are coming in. This is a state of harmony and people are welcome but this (influx) is clearly overstressing the manpower of the Nigeria Police which is the primary agency for internal security. From Kwara North to Kwara South, it is an enormous task for them, so we definitely need and seek more hands."

AbdulRazaq also called for improved collaboration among security agencies to sustain relative peace in the state, with the traditional rulers equally playing vital roles in strengthening security architecture.

"There is no chance for

criminalities in the state because of the nature of security architecture in the state. We also involve and encourage our traditional rulers to work with the security agencies by providing actionable intelligence for use," he said.

"We thank the Police authorities for the Police School in Ballah and the Intelligence School in Share. In fact, we had to put a transformer there a few months ago to make sure we got the place working. But we are saddened by the relocation of the Police Public Relations School that was here in Ilorin before. We hope you will look into that again and return it."

## HEALTH

## Lafia specialist has facilities, manpower to be made Teaching Hospital-CMD

NATHANIEL GBAORON, Lafia

Dr Ikrama Hassan, Chief Medical Director (CMD), Dalhatu Araf Specialist Hospital (DASH) Lafia, says they have sufficient facilities, structures and manpower to be made the Teaching Hospital of Federal University of Lafia.

The CMD stated this in an interview with MoneyCentral correspondent in Lafia. According to him the need for a teaching hospital for the university became imperative because the institution had already offered students admission in various programmes in the faculty.

He added that the state government in their effort to sustain support to the university and to ensure full operation of the medical school decided to donate

the specialist hospital as its teaching hospital.

"Given that the university is sited in Lafia, it is important for the teaching hospital to be in Lafia for administrative and academic convenience. Most universities in Nigeria have their teaching hospitals at the same town or cities with the institution hence the one in Lafia should not be an exception," the CMD added.

The CMD listed some of the achievements in the hospital in the last two years to include, increasing the number of theatres from two to four, increasing clinics from one to eight, provision of scanning machines from one to eight.

"Others are' provision of 200 additional beds, renovation of wards, toilets, among others.

## WAR ON DRUGS

## Governor Inuwa visits NDLEA boss, advocates more synergy on war against illicit drugs

ABDULWAHEED OLAYINKA  
ADUBI, Kaduna

Governor Muhammadu Inuwa Yahaya of Gombe State has advocated for more synergy between the State and the National Drugs Law Enforcement Agency, NDLEA in order to rid the society of illicit drugs.

Governor Inuwa Yahaya stated this when he visited the Chairman and Chief Executive of the National Drugs Law Enforcement Agency, NDLEA Brigadier General Buba Marwa, Rtd at the Agency's Headquarters in Abuja.

The Governor observed that there is a strong correlation between the use of illicit drugs and the probability to commit crime and criminality in any given society.

He noted that one of the ingredients fuelling crime and criminality, particularly

the ongoing insurgency in the North East can be attributed to the use of illicit drugs which often distort the sanity of human psychology.

"In the last two years, I saw a lot of development with regards to these issues and being the Governor, naturally all issues tend to end up on my table and we can put a good percentage of all these negative developments in our society to issues that have to do with drugs."

Governor Inuwa Yahaya said despite having a good presence in Gombe, there is the need for the State and the NDLEA to re-strategize and collaborate more in the fight against the use of illicit drugs their peddlers, moreso that the State sits at the centre of the North East and an easy access for all manner of people including the good and the bad.

## SECURITY

## NYDN lauds Buhari's security strategies

... recommends Babangida Nguroje for appointment

NATHANIEL GBAORON, Lafia

A group under the aegis of Northern Youths Democratic Network (NYDN) has lauded President Muhammadu Buhari for the security measures adopted to tackle the rising cases of banditry and kidnapping in Zamfara State.

This was contained in a statement jointly signed by Dauda Mathias and Yahaya Abdullahi, National President and Secretary of the group and made available to MoneyCentral in Lafia.

According to the statement, based on the information available to the group so far the military is decisively dealing with all criminal elements in Zamfara State due to the shutdown of mobile networks.

It said the shutdown of the mobile network has helped in preventing the bandits from getting information on the movement of the military thereby giving the military advantage over the criminals.

The group in the statement also expressed confidence in the ability of President Muhammadu Buhari-led administration to tackle the challenges confronting the



youths in the country.

The statement said the youths were hitherto neglected and schemed out of the governance of the country, but Buhari has changed the story around for better.

It added that the President through the various social investment programmes has been able to transform the lives of so many Nigerians youths.

The group added that they have been monitoring the activities of politicians especially from the Northern extraction and would recommend some of them that would add value to the government for appointments by the President.

The group said for now, the President should nominate Babangida Nguroje, former Deputy Speaker of the House of Representatives as minister from Taraba state given his track record of achievements as a public officer.

## EDUCATION

## Gombe Government assists law students with laptops, cash

ABDULWAHEED OLAYINKA  
ADUBI, Kaduna

Gombe State Government has assisted Law Students of Gombe State origin studying in various campuses across Nigeria with laptops and also donated cash to them worth thirtythree million, eight hundred and forty five thousand naira to aid them in settling their academic fees and so as to achieve better performance.

Making the presentations at the conference hall of the Ministry of Justice in the Metropolis, Governor Muhammadu Inuwa Yahaya assured that his administration will continue to provide the needed atmosphere and support for excellent performance towards achieving the needed target of improved capacity, efficiency and quality education.

According to the Senior Special Assistant, Media (Deputy Governor's Office) Jack Tasha, Governor Yahaya who was represented by the Deputy Governor, Dr. Manasah Daniel Jatau, said the provision of laptops and the cash assistance were to encourage students of Law School build their educational capacity to prepare them for a better professional practice.

He urged the recipients to make good use of the items and the cash in the spirit of 'Gombawa diban fari' mean-



ing ( the people of Gombe always first in every well meaning venture' to perform excellently in their respective schools.

Speaking earlier, the Commissioner of Justice and State Attorney General, Zubair Muhammad Umar, informed the gathering that the occasion was for presentation of Laptops and 370,000 cash assistance each to 61 Gombe indigenes, in six campuses of Law Schools in Nigeria.

The Attorney General highlighted that the cash was to help them settle their school fees while the laptops are to help them in their studies, pointing out that, the whole assistance for the students gulped Thirty Three Million, Eight Hundred and Fourth Five Thousand Naira only.

Barr. Zubair Umar explained that this was a demonstration of the commitment of the Inuwa Yahaya-led Administration to the people of the state, calling on the students to reciprocate the gesture of the government and justify the spending of the government in them by performing better to the pride of the Gombe people.



## NATIONAL (NORTH)

# Governor Inuwa seeks FG's intervention in bad Federal Roads in Gombe State

ABDULWAHEED OLAYINKA  
ADUBI, Kaduna

Governor Inuwa Yahaya paid a working visit to the Federal Ministry of Works and Housing in Abuja last week where he met with the Minister, Babatunde Raji Fashola, SAN.

After a closed door session with the Minister, Governor Yahaya told the press that part of his reason for the visit was to draw the attention of the Minister to the deteriorating condition of some federal roads in Gombe and other 5 linked states, especially the Bauchi- Gombe, Gombe- Kwami- Dukku-Darazo roads among others.

"I came to see the Honourable Minister specifically with the recent development on the Federal Highways. You know Gombe is at the centre of the North East. All the other 5 states of the North East are linked with Gombe, meaning we have road links that are federally owned between Gombe



and the remaining states", he said.

He explained further that most of those roads are being threatened by flooding this year and they need urgent attention.

"I also came here to draw FG's attention so that these roads will get repaired otherwise all of Gombe State will be cut off and that will be too bad."

When the journalists at the occasion asked him how his visit to the ministry of works will impact on

the Gombe 10-Year Development Plan, one of the brilliant ideas he initiated within the two years of his stewardship, he responded swiftly thus: "For any meaningful development to take place, infrastructure is the key. And out of all the basic infrastructure, you need the roads, you need the railway lines to connect, you need the airport. Virtually every facility needs roads and this Ministry handles roads; so we need to synergise and

work together."

"We are working to see that what we have as a document is really working in synergy with the federal government on short and long terms."

On how his government has so far gone on road development in Gombe, especially the Network 11-100, the Governor said that although that's very ambitious, his administration has achieved significant progress.

"We have gone very far. So far within 2 years we have worked up to 340 KMs and we have plans to do more because we are doing it in phases. Phase one is done and we are starting the second phase. And together with the Rural Development Access Credit and Mobility project of the Ministry of Agriculture, we are going to do a lot in terms of more connectivity using the rural access that is going to serve the rural people," said Governor Inuwa Yahaya.

## CONDOLENCE

### Gombe Governor pays condolence visit to Justice Hamma Barka over wife's death

ABDULWAHEED OLAYINKA  
ADUBI, Kaduna

Gombe State Governor, Muhammadu Inuwa Yahaya has paid a condolence visit to Justice Hamma Barka over the demise of his wife, Mrs. Safiya H. Barka.

A retired nurse, who served at the state Specialists Hospital and later Federal Teaching Hospital Gombe, Mrs Safiya Barka died at the age of 62, after a brief illness.

Commiserating with the Justice of the Court of Appeal, the Governor described the late Mrs Safiya as a great woman, family pillar and humanist who impacted positively on her children and community both during her service days as a health worker and in retirement.

He said her demise is a great loss, not only to her immediate family but the State in general, consol-



ing her husband, Justice Hamma Barka and the entire family to take solace in the fact that the late Mrs Safiya lived a life of service to God and humanity.

The Governor prayed for the repose of the soul of the deceased and for God to grant the entire family the fortitude to bear the loss.

Responding, Justice Barka thanked Governor Muhammadu Inuwa Yahaya for identifying with his family in their moment of grief, saying the visit demonstrated the Governor's love and kindness to his family. He prayed to God to reward him abundantly.

## CRIME

### Court jails 4 "Shila" boys 5-7 years each, acquits one

OJOMA YUSUF, Yola

There was a great jubilation at the premises of the Chief Magistrate Court 2 in Yola, Adamawa state as the court convicted and sentenced 4 notorious "Shila" boys Aminu Adamu, Ayuba Abdullahi, Kaior Isaiah and Yusuf Adamu to 5 and 7 years each in prison.

Those jailed for 7 years each without option of fine include; Aminu Adamu and Yusuf Adamu, while Ayuba Abdullahi, bagged 5 year prison term with N100, 000 option of fine.

The court also sentenced Ibrahim Bello to 5 years in prison without option of fine, while Kaior Isaiah, was discharged and acquitted for lack of proof of the offence he was charged for.

The presiding magistrate Japhet Ibrahim Basani, of the Chief Magistrate Court 2 convicted and sentenced the boys after they were tried and found guilty for criminal conspiracy, extortion and theft.

The court held that the prosecution had proved the offences against the convicts without any reasonable doubt, and sentenced them accordingly.

Meanwhile the prosecution said Aminu, Yusuf and Gaddafi Musa (now at large) of Wuro Kuturu in Yola North Local Government Area, criminally conspired

and armed themselves with cutlasses and knives and broke into a house at the same address.

The shila boys stormed the house around 2:00am, on the 10th September, 2021, and threatened to kill one Umar Faruk Ibrahim, and his brother where they carted away 2 of their phones valued N100, 000 and N20, 000 respectively.

Fortunately, during the operation of the boys in the house, one of their victims, Umar Faruk Ibrahim, was able to identify Aminu, one of the convicts.

Faruk reported the matter to the vigilante the following morning, and also volunteered to lead the team to the residence of Aminu, one of the convicts as a result of which he was arrested.

Immediately after his arrest, Aminu led the vigilante to the arrest of Yusuf, one of the accomplice and Ayuba, who bought one of the stolen phones.

It was gathered that Aminu and Yusuf sold the phone valued at N100, 000, to Ayuba Abdullahi, one of the convicts at the sum of N10,000, only.

While investigation was ongoing, Ayuba told the team that he gave the stolen phone he brought to Kaior, so as to keep it for him, and also led the team to Kaior's business center where he was apprehended.

## EDUCATION

### UBEC committed to interventions for quality education in Benue, others - Boboye

GEORGE KAJO, Makurdi

The Executive Secretary of Universal Basic Education Commission (UBEC), Dr Hamid Boboye has stressed the determination of the Commission towards providing necessary interventions in Benue and other states in various aspects to ensure competency and sustainable standards in the education sub-sector.

He made the disclosure in Makurdi during the opening ceremony of a five-day capacity building workshop on training of Education Quality Assurance Evaluators On Methodology of Monitoring and Evaluation of Teaching and Learning in Public Primary Schools in Benue State organized by UBEC in conjunction with the Benue State Universal Basic Education Board (SUBEB).



Governor Ortom

Represented by the Commission's Director of Quality Assurance, Mallam Mansir Idris, the Executive Secretary said, the professional development of education managers must be accompanied by organizational development and improvement in schools as it will sharpen their skills and promote competency.

He commended the Executive Chairman of Benue SUBEB, Comrade Joseph Utse, Management Staff and all Quality Assurance Officers for their efforts towards ensuring effectiveness and efficiency are achieved in Basic Education Schools in the state.

In an address, the SUBEB Chairman, Comrade Joseph Utse represented by Permanent Member 1, Hon. Mike Kusah disclosed that the Board has earmarked regular school monitoring as a major policy thrust and has procured 1 Hiux van and 24 motorcycles for the Quality Assurance department to facilitate school monitoring activities.

According to him, staff of the Department have been trained on e-quality Assurance and tablets also procured to enable them disseminate on-the-spot school monitoring reports to UBEC and other stakeholders, adding that 14 Laptops and 1 Printer were also procured to ease report submission.

## DIPLOMACY

### British High commissioner's visit, a step in the right direction - Maianguwa

NATHANIEL GBAORON, Lafia

The Senior Special Assistant on Liaison to Engr. Abdullahi Sule Hon. Yusuf Jibrin Maianguwa, has said the visit of the British High Commissioner to Nasarawa was timely and a step in the right direction.

Maianguwa disclosed this in an interview With MoneyCentral correspondent in his office while commending the British government for strengthening the relationship between their government and Nasarawa state.

He said the main reason for engaging the British high commissioner, Catriona Laing was to further drive the initiative of the Engr. Abdullahi Sule to the international community especially in the area of education and agriculture.

Recall that the British high commissioner, Catriona Laing had commended the SSA for persuading them with a very good presentation on the need to partner with Nasarawa state in terms of infrastructural and all round development in the state.

In her words "I am honoured to be here this morning as a result of an opportunistic meeting I had with your special adviser, Yusuf. He did a very good approach on why I should be a guest to His Excellency, the governor of Nasarawa State," She extolled.

To reconcile with the plan of the Nasarawa government



concerning education, Yusuf said it was the driving force that propelled him to convince the commissioner to assist his administration because of their vast experiences as to strengthen both sectors in the state.

The SSA also explained that the Abdullahi Sule administration had invested massively in education in committing 26- 31 percent of its 2020 and 2021 budget respectively to the education sector in compliance with UNESCO's recognition.

He further said the governor had formalized the appointments of the two thousand, two hundred and fifty (2,250) teachers who were engaged by the previous administration. Also, twenty five (25) students in the state have been awarded scholarships to study in the Zaria Academy, with another twenty (20) students of the state awarded scholarships to study higher education at the International University of Africa Sudan.

Other interventions according to him include payment of bursary allowances to students, upgrade of College of Agriculture Lafia to College of Agriculture, Science and Technology.



## EDITORIAL

# Time for CBN to Change Policy Direction on Naira Stability Fight

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Week there seems to be a new boogeyman added to the long and growing list of enemies the Central Bank of Nigeria (CBN) is fighting in its bid to maintain Naira stability against the world's only major global reserve currency, the U.S dollar.

Some years ago it was importers of the famous 41 items banned from accessing dollars from the CBN, later it was milk importers, then some months ago, there was the showdown against bureau the change (BDC) operators and last week the CBN brought the fight to a little known website abokifx.

Abokifx is a website that publishes exchange rates for Nigeria's unauthorized parallel currency market.

The CBN on Friday accused Abokifx of manipulating prices in the unofficial market. Abokifx denies the allegations. Since the CBN's recent unorthodox policies, the naira has taken a turn for the worse in the parallel market. The naira has lost 13 percent of its value since July 28 after the CBN stopped sales of the U.S dollar to BDCs.

The naira has also weakened considerably over the last year while inflation has remained

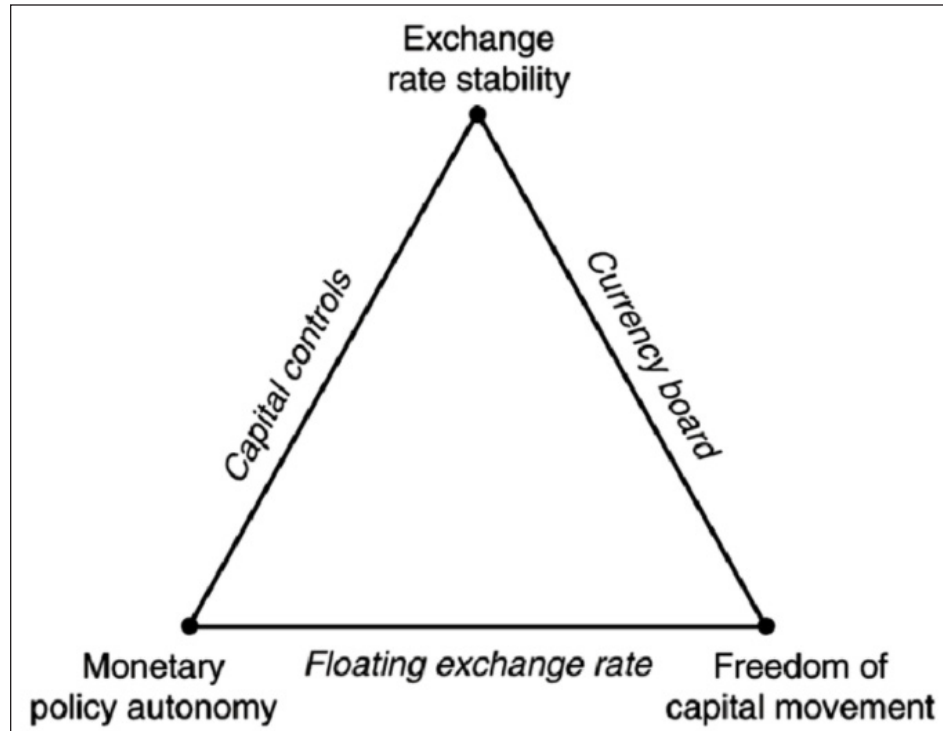
in high double digits (currently 17.38%) leading to increased demand for dollar-assets and cryptocurrencies as a better store of value.

The fact that the CBN's efforts so far have failed to stabilise FX signals that the current FX issues would require a change in policy direction.

Today, the CBN is in a lose-lose position, blocking the investment case for Nigeria and allowing the continued fall of the naira due to an absence of secondary inflows of dollars into the economy.

Portfolio flows have all but trickled to a halt while Foreign Direct Investors (FDI) are largely steering clear of the Nigerian market.

## Chart of the week



The policy trilemma for open economies

The Nigerian Capital Importation Q1/Q2 2021 report released in July by the National Bureau of Statistics (NBS) showed that the value of capital importation into the country fell quarter-on-quarter to \$875.62 million in the second quarter of 2021.

This represents a 54 per cent decline when compared to \$1.91 billion recorded in Q1'21.

This paper believes that the CBN ought to go back to the basics of targeting inflation and bringing it below double digits while simultaneously pushing for a stable naira through a market approach for trading the currency which will give investors the confidence to hold naira assets. In essence having inter-

est rates that are positive in real terms should help attract flows which would then help to drive down inflation.

With a market driven stable foreign exchange rate and tame inflation, the CBN will begin to see the benefits through an influx of dollars as foreign investors would not need to hedge against FX risk, inflation risk as well as regulatory uncertainty.

The CBN has clearly lost the plot with the recent mistake (see our lead story) of going after BDCs in a period of heightened retail demand for dollars.

There is also the point to be made that the current management of the CBN has overseen one of the biggest increases in BDC

licensing in the history of the country.

At last count there were 5,689 BDCs registered in Nigeria as at June 30, 2021. That was up by some 18.5 percent from 4,798 BDCs operating across the country in July 2019, according to CBN data.

What was the point of registering all these BDCs if the CBN could not effectively police their actions? Would it not have been better to reward the BDCs which are abiding by the rules and sanctioning those that were engaging in economic sabotage and currency round tripping?

The CBN is trying to square the circle of the impossible trinity also called the Mundell-Fleming trilemma, an economic theory, which posits that countries may choose from three options when making fundamental decisions about their international monetary policy agreements.

This theory exposes the instability inherent in using the three primary options available to a country when establishing and monitoring its international monetary policy agreements.

The 3 options are setting a fixed currency exchange rate, allowing capital to flow freely with no fixed currency exchange rate agreement, and autonomous monetary policy.

However, only one option of the trilemma is achievable at a given time, as the three options of the trilemma are mutually exclusive.

Today, most countries favor free flow of capital and autonomous monetary policy!

## ECONOMIC CALENDAR

**NATIONAL BUREAU of STATISTICS (NBS)**  
**Monday, 20 SEPTEMBER 2021**

**Federation Account Allocation Committee (FAAC) (August 2021 Disbursement)**

## Our Vision

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• Real Financial Journalism at its Best Providing Actionable Market Intelligence for all Classes of Nigerians

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# COMPANIES & MARKETS

NSE INDICES (WEEKLY)		BONDS/FORWARD		BDC Exchange Rates			COMMODITIES		Bitcoin (BTC)	I&E FX Window	
All share	38,943.87	NGX 30	1,617.37	FGN	23-JUL-30	FX (\$/N)	31-AUG-22	\$ - NGN	Buy	555	565
	0.06%		0.10%					£ - NGN	Sell	765	780
								€ - NGN		640	655
								BRENT (ICE)	GOLD Spot	1,754.34	1,754.34
								USD/bbl	USD/lot	73.39	73.39
										\$48,515	N27.497 M
										\$ - NGN	412.88
										Turnover	\$229.79m



## Access Bank's instant electronic transfer rises 78.12 percent to N20.85 trillion

BALA AUGIE

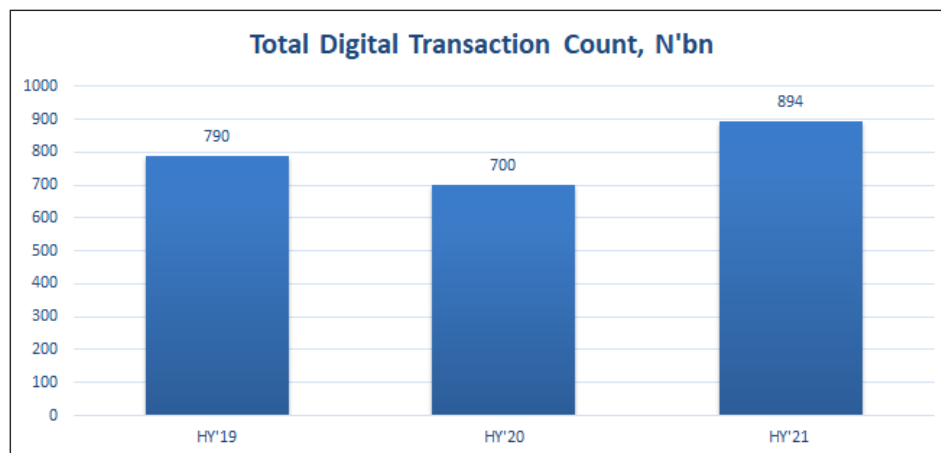
Access Bank, the largest lender by total assets in Africa's largest economy, is using cost savings digital means to reach the currently financially excluded and underserved populations.

The value of transactions via the Access Bank's Inter-bank Settlement System Instant payment system or total digital transaction value stood at N20.85 trillion as at June 2021, as it intensifies efforts to deepen financial inclusion.

This is a 78.12 percent surge in the value of the transactions compared with N11.70 trillion transactions as at June 2020.

The number of electronic product transactions stood at 894 million as at June 2021, which is 27.77 percent higher than 2020's 700 million.

Further analysis of the financial statement of Access Bank shows revenue from mobile and internet banking surged by 66.90 percent to N16.39 billion in June 2021



from N9.82 billion as at June 2020.

"Our market leading propositions are designed with the customer at the Center. Our

customers have trusted our digital platforms resulting in significant growth," said the bank.

In Nigeria, only 67.5 mil-

lion (64 percent) of the 105.5 million adult population were financially included in the year 2020. This was disclosed in a report by Enhancing Fi-

	HY'21	HY'20	%Change
Mobile/Internet Banking	16,390	9,822	66.87%
ATM	1,044	829	25.93%
USSD	1,155	713	61.99%

ancial Innovation & Access, tagged 'New data from EFINA.

The report stated that 36 percent of Nigerian adults, or 38 million adults, remained completely financially excluded at the end of 2020.

In line with its mission to deliver superior value to its customers and provide innovative solutions for the markets and communities it serves, Access bank Plc, has successfully commissioned and empowered 74,000 Access Closa agents to provide financial services to customers across Nigeria, the bank has said.

"As a bank driven by innovation, we must deliver better outcomes for customers in terms of speed, security and service to enhance customer experience in all the locations that we operate. With the recent mapping of over 70,000 Access Closa Agents, customers and non-customers of the Bank who are travelling for Business, events or to visit loved ones in any location in Nigeria will continue to enjoy uninterrupted banking services as our Closa agents are available in several rural and semi-urban locations across the country," said Robert Giles.

### FINANCE

## Heritage Bank, others bankroll SCOA handover of trucks, equipment to Julius Berger worth N15.5bn

JESSICA MAURICE

Heritage Bank Plc, Nigeria's Most Innovative Banking Service provider and seven other banks have provided a total of N15.5billion to assist SCOA Nigeria Plc for the importation and supply of MAN Platform Trucks and equipment to Julius Berger Nigeria for construction of 380km Abuja-Kaduna-Kano roads and many others across the country.

Specifically, Heritage Bank availed SCOA Motors an Advance Payment Guarantee (APG) N4.64 billion for the project.

Whilst, other banks - Zenith, Wema, UBA, Union, Unity, Coronation and Providus Banks complemented the global total sum.

The total covers 33 trucks and technological equipment. For the first phase during the ceremony, 16 of the trucks were handed over to Julius Berger and the second phase of delivery will be executed next month.

Commenting on the Official Handover Ceremony of State-of-the-Art Man Trucks and Wirtgen Equipment to Julius Berger Nigeria Plc, the MD/CEO of Heritage Bank Plc, Ifie Sekibo stated that



the support efforts through project financing in the various sectors of the economy is one of the platforms that underscores our resolve and readiness to make a mark in the financial sector as a major pivot of socio-economic transformation of the country.

The Regional Head, Lagos Mainland Zone of Heritage Bank, Mother Dan-Egwu, who represented Sekibo, said the bank partnered to support SCOA Nigeria Plc for its long and outstanding presence in the automobile market, by retaining the cutting edge in their line of business.

Dan-Egwu disclosed that the Heritage Bank's philosophy is to support businesses to grow in their discharge of duties; she was quoted as saying, "For us at Heritage Bank, our core business philosophy as a timeless wealth partner to our customers is captured in our mission to create, transfer and preserve wealth."

### INDUSTRIALS

## Wartsila to construct 70MW Power Plant for BUA Cement Sokoto Line 4

SEUN PETERS

BUA has signed an agreement with Wartsila OY of Finland for the construction of a 70megawatts dual-fuel power plant for the BUA Cement Sokoto Line 4 in Sokoto state, North-West Nigeria.

This announcement comes as BUA recently revealed that it was looking to boost its production capacity in Nigeria over the next 3 years with new plants in the works. In addition, this will be the second plant to be constructed by Wartsila for BUA Cement - the first being the BUA Cement sokoto power plant scheduled to be commissioned alongside the plant in November 2021.

Speaking at the signing ceremony, Abdul Samad Rabi, Chairman of BUA Cement Plc who signed on be-



half of the cement producer said BUA Cement will continue to invest strategically in the West African Cement industry to enable it to bridge the huge infrastructure and housing deficit.

According to Rabi, "BUA Cement is happy and pleased with the progress that Wartsila made with the construction of the power plant we initially purchased for our BUA Cement Sokoto

Line 3 which we expect will begin commissioning by November alongside the power plant. We believe Wartsila will bring the same level of efficiency, technical expertise and professionalism to bear in ensuring that this new power plant for the 3million Mtpa BUA Cement Sokoto Line 4 will be completed on schedule by the end of next year as we look towards bringing BUA's total capacity in its sokoto plant to 8 million metric tonnes by early 2023 and 17million metric tonnes across all its plants by the same time."

On his part, Mark Thiriet, Energy Business Director at Wartsila West Africa said Wartsila was proud to partner with BUA Group on this BUA Cement Sokoto Line 4 project. He said that Wartsila will bring its technical

expertise and globally recognized technology to bear in bringing the project to completion.

BUA Cement Plc is Nigeria's second largest cement company and the largest producer in its North-West, South-South, and South-East regions.

BUA Cement operates strategically from Okpella, Edo State and Kalambaina, Sokoto State with its headquarters in Lagos, Nigeria. Currently the second most capitalized manufacturing company on the Nigerian Stock Exchange (NSE), BUA Cement is committed to quality - a differentiating attribute, driven by its people, innovation, and technology; and positioned to solve West Africa's cement under capacity while driving economic growth and development.



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## COMPANIES

# C and I Leasing' high leverage ratio validates debt to equity swap

BALA AUGIE

C and I Leasing Plc has a higher risk to shareholders as its operations are being funded more by borrowed money, which laid bare the board of directors' decision to opt for a debt to equity swap with a view to strengthening the balance sheet.

There is more debt in the capital structure (balance sheet) of the only listed leasing company in Nigeria as debt to equity ratio hit 262.25 percent as of June 2021, according to MoneyCentral calculations.

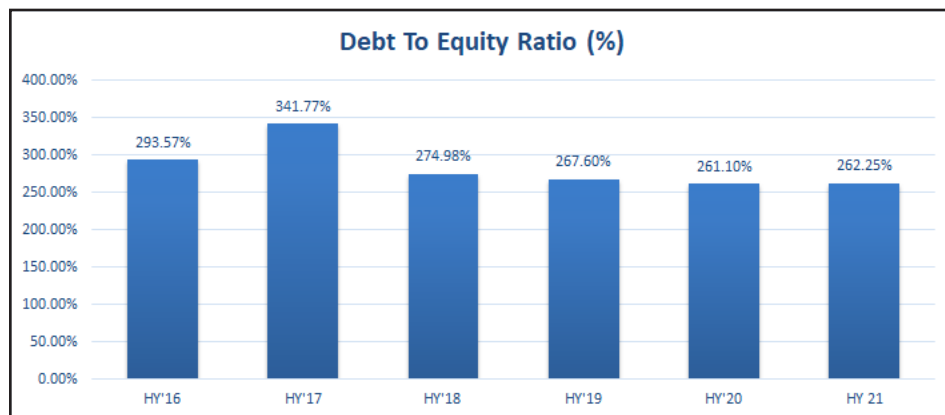
A debt to equity ratio of 2.62 means the company uses N2.62 in debt for every N1 of equity, or its debt level is 262 percent of its equity.

While the ratio depends on industry average, a debt-to-equity ratio increase means a reduction in the value of owners' stake in a business as a proportion of its assets.

Notably, the higher a company's operations are funded by borrowed money, the likelihood that it could easily capitulate to bankruptcy during hard times or a recession.

A comparison analysis shows debt to equity ratio was 261.10 percent in 2020, albeit it is lower than the 341.77 percent in 2017.

The company's total debt (long and short)



stood at N36.66 billion as at September 2021, which is 4.91 percent higher than 2020's N34.82 billion.

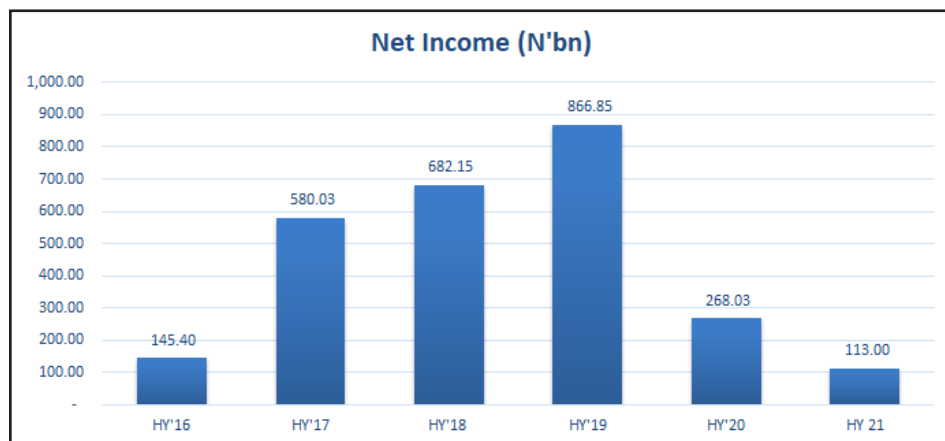
A further breakdown shows there was N10.15 billion worth of commercial notes or paper in the books, while borrowing was N26.57 billion as at June 2021.

Little wonder shareholders said the firm could not manage to pay for the obligation, and they threw their support for a scheme of debt to equity swap.

C&I Leasing Plc shareholders had unanimously approved the conversion of a \$10m loan to equity for Neoma Africa Fund

(formerly Aureos African Fund).

Owners had also approved the conversion of the \$10m unsecured variable coupon redeemable convertible loan stock in registered units of N4.75 or the dollar equivalent units into 987,500,000 ordinary shares of the company.



## RATINGS

## Agusto & Co. affirms "A" rating and stable outlook for FBNQuest

SEUN PETERS

FBNQuest Merchant Bank, the investment banking and asset management subsidiary of FBN Holdings Plc, has received an "A" rating from Agusto & Co., which affirms the Merchant Bank's stable outlook.

The rating was assigned in the recently released rating report by Agusto & Co, a foremost rating agency in Nigeria and recognises the Bank's better capitalisation ratios, strong liquidity, acceptable asset quality and improved profitability during the period, supported by acceptable asset quality, investment banking expertise and trading activities.

The agency affirmed that FBNQuest Merchant Bank is in good financial condition and has a strong capacity to meet its obligations to clients. It also reflects the Bank's franchise upheld by the affiliation with FBN Holdings Plc, one of Nigeria's largest financial institutions with interests in commercial banking, capital markets, trusteeship and insurance brokerage.

The organisation's performance over the years has

been reflective of a dedicated strategy to deliver increased value to clients by providing product offerings across a broad array of investment opportunities suitable to their needs as well as the deep pool of exceptional talent.

Speaking on the rating, Kayode Akinkugbe Managing Director, FBNQuest Merchant Bank stated that "We are pleased to have been assigned an "A" rating from Agusto & Co. amidst the current macroeconomic headwinds. We remain committed to being an investment manager of choice with strong corporate and investment banking capabilities."

FBNQuest was recently recognised as the winner of the Equity Deal of the Year at the 2021 African Banker Awards. The organisation continues to maintain a consistent strong position in the investment banking subsector in Nigeria, with a rich pedigree in offering alternatives to traditional bank debt products and a reputation for the successful execution of several big-ticket capital markets and commercial debt transactions.

## BONDS

## Lagos free zone company debuts N10.5bn infrastructure bond

JESSICA MAURICE

Lagos Free Zone Company (LFZC), the first free zone in Nigeria with a fully integrated deep seaport has successfully issued a N10.5 billion 20-Year Series 1 Senior Guaranteed Fixed Rate Corporate Infrastructure Bond Due 2041 (the LFZ Bonds) under a NGN50 billion Debt Issuance Programme.

LFZC is the infrastructure development subsidiary of Tolaram, the Singaporean conglomerate with more than 45 years of presence in Nigeria and business interests in consumer goods, infrastructure and fintech space.

Lagos Free Zone is being

developed as the largest integrated port based economic zone in Nigeria and shall serve as the beacon of industrial development across Nigeria and West Africa.

Enterprises operating in the Lagos Free Zone will benefit from various policy incentives underpinned by the legislative framework applicable for free zones in Nigeria.

In line with its vision statement - "to be the preferred industrial hub in West Africa with world-class infrastructure", the zone is equipped with a host of shared industrial infrastructure necessary for attracting investments from the leading trade partners of Nigeria.

## ECONOMY

## Nigerian Central Bank to go after illegal FX dealers

SEUN PETERS

The monetary policy committee (MPC) concluded its two-day policy meeting on Friday at the end of which they agreed to go after illegal foreign exchange (FX) dealers.

According to the MPC, Nigeria's only recognised exchange rate is the investors and exporters (I&E), where legitimate FX demands are met.

The monetary authority also noted that selling FX from the reserves to BDCs is not a global best practice.

Therefore, it emphasised that the decision to stop sales to the sector would not be reversed.

The CBN disclosed that it will go after illegal currency dealers, including individuals who illicitly obtain dollars from banks in the guise of having BTA and PTA-related needs.

The apex bank is also investigating AbokiFX, its owner, and complicit companies for allegedly participating in FX manipulation, illegal fixing of USD/NGN rates, and economic sabotage.

## MARKETS

## Dangote in talks with Trafigura, Vitol for oil refinery loan

SEUN PETERS, with agency report

Africa's richest man Aliko Dangote is in talks with some of the world's biggest oil traders to help finance his mega refinery project outside of Nigeria's commercial centre Lagos, Reuters is reporting citing sources with knowledge of the matter, although the Dangote Group denied the discussions.

Hit by economic consequences of the COVID-19 pandemic and soaring construction costs, Dangote needs a cash injection.

Nigeria's state oil firm NNPC has agreed to buy a 20% stake in the refinery for about \$2.8 billion, but Dangote is looking for outside cash.

The billionaire has held talks as recently as a month ago with executives from the world's top two oil traders - Trafigura and Vitol, three sources with direct knowledge of the matter told Reuters.

NNPC's head Mele Kyari said a process was ongoing to raise \$1 billion with Afreximbank to fund part of its stake purchase.

Dangote's management denied the talks.

"The company is not in any talks with the aforementioned oil traders to seek a loan to finance our project," the management of Dangote Industries Ltd said in a statement.

Trafigura and Vitol declined to comment.

Two separate sources with direct knowledge of the matter said the option of raising another \$500 million from a trade house or consortium was being explored.

The details of a potential loan from a trading firm have not been finalised but the trader could receive a long-term contract to supply crude and receive cargoes of refined products as repayment.

The refinery has been delayed by several years and the cost has ballooned to

\$19 billion from Dangote's earlier estimates of \$12-14 billion. Construction was also delayed due to COVID-19 outbreaks among workers at the site and delays getting materials, two more sources said.

Many industry sources do not expect any products before the second half of next year.

Swiss traders like Vitol along with Nigerian firms, have cashed-in for years in gasoline-short Nigeria by supplying mega tenders and being part of lucrative crude-for-fuel swap deals for over a decade.

Getting a hold of Dangote's fuel will give the trader a stranglehold on a key set of new oil flows. Nigeria's new oil bill, approved last month after nearly 20 years of political wrangling, has added fuel-import licence requirements that experts fear will give Dangote an effective monopoly.

Under the new laws, the regulator will prioritize lo-

cal refiners for import licences and volumes would be based on production capacity or market share.

While Nigeria will remain open in theory to international trading houses, a partnership with Dangote would be the only way to guarantee a foothold in Africa's biggest economy.

The 650,000 barrel-per-day refinery, once complete, will be the continent's largest plant and redraw major trade flows of crude and fuel in the Atlantic basin.

Despite being Africa's biggest oil producer and exporter, the country depends almost entirely on fuel imports after allowing its significant refining capacity, 445,000 barrels-per-day, to become dilapidated over several decades.

Many past and current Nigerian officials, including President Muhammadu Buhari, have announced plans to refurbish them, but political will has been lacking.



## COMPANIES

# Dangote Cement generates more profit than middle east, North Africa peers

BALA AUGIE

Dangote Cement Plc, the largest producer of the building material, is increasing its profit without the need for more capital than peer rivals in the Middle East and North Africa regions.

Across these regions, the most capitalised firm in Africa's largest economy, has the best return on equity (ROE) among peers, which means its management team is more efficient when it comes to utilizing financing to grow their business.

For instance, its (ROE) that stood at 31.20 percent as at June 2021, according to data gathered by Chapel Hill Denham.

That compares with Tanzania Portland Cement Co's ROE of 26.20 percent; BUA Cement, (19.10 percent); Ciments Du Maroc, (16.10 percent); Lafargeholcim Maroc Sa, (14.60 percent); Lafarge Africa Plc, (8.80 percent); Misr Beni Suef Cement Co, (3.90 percent); Bamburi

Cement Ltd, (3.60 percent); Ppc Ltd, (-3.60 percent), and Arabian Cement Co, (-11.80 percent).

Dangote Cement's rising ROE validates consistent earnings growth and its ability to take advantage of investment in both the private and public sectors.

Despite the inflationary pressures and currency devaluation, emblematic phenomena of the Nigerian economy, its net income spiked by 51.90 percent to N91.63 billion as at June 2021.

Its earnings before interest taxation depreciation and amortization (EBITDA) increased to 50.80 percent in June 2021 from 45.70 percent as at June 2020.

Gross margin followed the same growth trajectory as it rose to 60 percent in June 2021 from 57.60 percent the previous year.

The improvement means the cement maker is making profit from its core operations and it is also turning

each Naira invested in sales into higher profit while contemporaneously curtailing costs.

Given the impressive results, analysts at Chapel Hill have updated their model post third quarter (H1-21 earnings) as they expect robust H1 2 performance most likely exceeding Bloomberg's consensus expectation.

Their prognosis is hinged on the constructive view of a continued strong cement demand, compelling case for further price adjustments, and DANGCEM's exceptional portfolio diversification.

However, they remain cautiously optimistic given currency volatility in Nigeria, together with its negative connotation for energy cost, and Debt challenges in Zambia.

Dangote Cement has been taking advantage of the low yield environment to reduce borrowing cost, which is it lowly geared with a Net Debt to EBITDA of 1.16x vs. MENA average of 2.98x,

providing an exceptional leverage opportunity for further expansion, and thus, capture market share across its regions of operation.

Analysts have remained optimistic on the stock of the producer of the building material as they expect it to maintain a consistent profit growth and strong dividend yield.

Of course, Dangote Cement has one of the best dividend yields among the middle east and north African peers, which means it pays a substantial share of its profits to shareholders for investing in it.

While its dividend yield of 7.60 percent is lower than Bamburi Cement Ltd of Kenya's yield of 10.70 percent, it is higher than Tanzania Portland Cement Co (7.60 percent); Lafarge Africa Plc, (7.40 percent); Ciments Du Maroc, (4.40 percent); Arabian Cement Co, (3.50 percent); Lafargeholcim Maroc Sa, (3.40 percent); BUA Cement, and (3.30 percent).

## BANKING

# Fidelity Bank's profit surges on increased customer transactions, improved efficiency

BALA AUGIE

Fidelity Bank's profit has surged on the back of increased customer transactions as cost control measures put in place by management and board of directors have bolstered efficiency.

For the first six months through June 2021, Fidelity Bank's profit before tax surged by 72.40 percent to N20.60 billion from N12 billion the previous year.

"We sustained our impressive financial performance with double-digit growth in profit as increased customer transactions drove non-interest revenue while improved operational efficiency continued to moderate cost - to - serve. This resulted in a 72.4% increase in profit before tax to N20.6bn from N12.0bn in H1 2020," said Nneka Onyeali-Ikpe, MD/CEO of Fidelity Bank Plc.

A review of the financial result for the period indicates that Gross Earnings increased by 6.2% YoY to N112.3bn on account of 27.8% growth in Non-

Interest Revenue (NIR) to N23.8bn from N18.1bn in H1 2020. NIR was driven by strong growth in Commission on Banking Services (57.7%), Account Maintenance Charges (50.6%), Digital Banking Income (49.4%) and Trade Income (33.7%) etc. as total customer induced transactions across all distribution channels increased by 58.0% YoY and 21.2% QoQ.

"Digital Banking gained further traction as we now have 55.1% of our customers enrolled on the mobile/internet banking products and 89.3% of customer-induced transactions were done on digital platforms," explained Onyeali-Ikpe.

The Bank showed a good appetite in funding the real sector with Net Loans and Advances increasing by 15.8% YTD to N1,535.4 billion from N1,326.1 billion as at December 2020. However, the actual growth was 14.7% while the impact of the currency adjustment (2020FY: N400.3/\$ - H1 2021: N410.6/\$) accounted for a 1.1% YTD growth.

## AWARDS

# DLM Capital group attributes global finance award to teamwork, dedication

SEUN PETERS

Leading Developmental Investment Bank, DLM Capital Group, has been awarded the 'Best Development Finance Company Nigeria 2021' by Global Banking and Finance Review magazine.

The award is in recognition of the institution's dedication to providing leadership and excellence in Nigeria's development finance space.

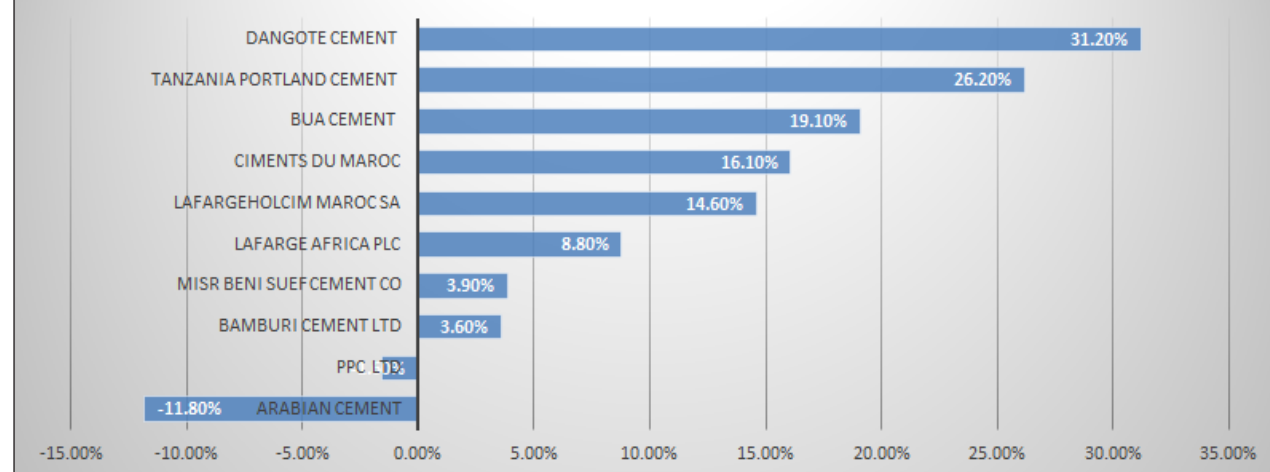
Head of Investment Banking, Emeka Ngene, expressed his delight at the recognition from Global Banking & Finance Awards and extended his appreciation to the DLM community for their continuous collaboration. "It is indeed an honor to receive this recognition from such a prestigious body as Global Banking and Finance Awards. We are pleased to be associated with this award which speaks to our dedication and hard work in addition to the expertise and innovative solutions we have implemented over the years. This further demonstrates our commitment in designing and implementing developmental funding solutions for the development of the country. We

are therefore dedicating this award to our team for their continuous support in ensuring that DLM Capital thrives in its pursuit to push the frontiers of developmental capital market solutions in the Nigerian financial ecosystem. We are delighted once again to have been identified for our accomplishments among other players across the continent."

Since 2011, the Global Banking & Finance Awards has honored companies that stand out in their various areas of expertise in the banking and finance industry, thereby recognizing the accomplishments and significant revolutions that emerge every year within the global finance community.

DLM Capital Group is a Developmental Investment Bank that provides innovative solutions to economic and social developmental challenges that impact the everyday lives of people. Since its inception, the bank has concentrated on creating markets, products, and long-term financing solutions to key sectors of the Nigerian economy that would benefit end customers to improve their well-being.

## DANGCEM has the best ROE (%)



## MARKETS

# World Bank cancels doing business reports after China rigging claims

JESSICA MAURICE

The results of an independent investigation, published on Thursday, said World Bank leaders including then-chief executive Georgieva applied "undue pressure" on staff to boost China's ranking in the bank's "Doing Business 2018" report.

At the time, the Washington-based multilateral lender was seeking China's support for a big capital increase.

The World Bank said on Thursday it would cancel the report series, which

has run since 2003, dismaying investors who rely on it to help them assess country risk.

The International Monetary Fund's ethics committee and board need to look into the report alleging its chief Kristalina Georgieva pressured staff to boost China's ranking in a flagship report while at the World Bank, a French finance ministry source said on Friday.

Georgieva has headed the IMF since 2019, during which it has seen its role ramped up, distributing around \$650 billion in new

Special Drawing Rights, its quasi-currency, as part of a drive to help combat the economic damage inflicted by COVID-19.

"It's a serious subject. The independent report is not a judgment and the IMF's ethics committee and board must study the report, listen to the managing director and present its conclusions," the finance ministry source said.

"It's on this basis that France will be able to fully evaluate the situation," the source said in reaction to the report, which was

prepared by an outside law firm at the request of the World Bank's ethics committee.

The U.S. Treasury Department, which manages the dominant U.S. shareholdings in the IMF and the World Bank, said it was analysing what it called the report's "serious findings".

The report comes nearly two years after Georgieva, who is Bulgarian, took over as IMF chief, shortly before the biggest global economic crisis in the Fund's 76-year history, prompted by the COVID-19 pandemic.





S/N	MoneyCentral's Publication	Accurate Information (Verifiable from published 2020 Annual Report)
1.	How FMDQ is cashing out from CBN patronage: 67% of 2021 Revenues earned from fees charged to CBN	FMDQ's revenues are from diverse sources as shown below: <ul style="list-style-type: none"> <li>23% (2019: 8%) from the CBN (as a transaction party in the OTC FX Futures market)</li> <li>41% (2019: 53%) from clients (local and foreign)</li> <li>17% (2019: 14%) from Dealing Member (Banks)</li> <li>18% (2019: 25%) from other sources including securities admissions, interest income, settlement and depository services, private market notings, amongst others</li> </ul>
2.	CEO pockets N4.66bn in stock options compensation	The CEO was issued stock options as part of his compensation, vesting at the end of his contract, based of pre-specified key performance indicators. As the stock options are not due to be exercised till 2024, no cash settlement has been made to the CEO, and none will be until the terms of the agreement are fully met at the end of his contract. The stock options as at Dec 31, 2020, as professionally valued by our External Auditor, KPMG, is N2.51bn as accounted for in our financial statements. There is no record of the N4.66bn in our financial statements.
3.	About 67 percent of the total revenues of N31 billion earned by FMDQ Group, a securities exchange and self-regulatory organization (SRO) in 2020, were fees paid to the exchange by the Central Bank of Nigeria (CBN).	<ul style="list-style-type: none"> <li>In 2020, CBN contribution to FMDQ Group's Revenue was 23%. There is no record of 67% in our financial statements</li> <li>FMDQ Group is an integrated financial market infrastructure (FMI) group and a one-stop platform to commence and end all financial market transactions, with capital markets subsidiaries, including FMDQ Securities Exchange Limited, FMDQ Clear Limited, FMDQ Depository Limited and FMDQ Private Markets Limited</li> <li>The fees paid to FMDQ Group was through FMDQ Clear for providing administration services of the margins on the OTC FX Futures, and not through FMDQ Exchange</li> </ul>
4.	FMDQ earned a total of N20.819bn in fees (futures management and margin management) charged to the CBN; up 86% from the N11.17bn earned in 2019.  FMDQ also earned N7.108 billion on so-called margin management fees from the CBN	<p>Whilst FMDQ earned a total of N20.819bn in Futures Management and Margin Management fees, the total amount was not earned from the CBN (and same applies to 2019). The details of the fees are shown below:</p> <ul style="list-style-type: none"> <li>Futures Management Fees earned on the OTC FX Futures Product - charged to <b>clients (local and foreign corporates)</b> for the maintenance and valuation of open contracts and collateral margins - N13.71bn (2019: N9.57bn)</li> <li>Margin Management Fee earned from 1% management fee charged to the <b>CBN</b> on the management of the margin funds. This includes 0.375% which is recognised as an expense with respect to 0.125% and 0.25% for settlement agency and investment management fees respectively. Therefore, the net Margin Management Fee earned from the CBN was split as follows: <ul style="list-style-type: none"> <li>FMDQ Group – N6.09bn (2019: N1.25bn)</li> <li>Settlement Agent/Investment Manager - N1.02bn (2019: N0.35bn)</li> </ul> </li> </ul>
5.	As the FMDQ revels in the boom fueled by being the sole platform for trading of CBN FX futures, it has also rewarded its CEO Bola Onadele.Koko with billions of naira in new stock options.  FMDQ CEO received stock options during the 2020 financial year that are now worth N4.66 billion, according to a company filing seen by MoneyCentral	<ul style="list-style-type: none"> <li>It is not unusual for an FMI to be the sole platform for a particular product, as is the case with the OTC FX Futures product traded and cleared on FMDQ's trading and clearing platforms. The Nigerian Exchange Limited (NGX) and the Central Securities Clearing System PLC (CSCS) are currently the sole platforms for trading and clearing the Equities product, respectively, despite the existence of other Exchanges/Clearing House in Nigeria</li> <li>The stock options issued to the CEO is not as a result of the 'boom' but has been a part of the CEO's compensation since the inception of the Company in 2013. FMDQ Group has accounted for this in its financial statements for prior years</li> <li>The stock options as at Dec. 31, 2020, as professionally valued by our External Auditor, KPMG, is N2.51bn as accounted for in our financial statements. There is no record of the N4.66bn in our financial statements</li> </ul>
6.	Under the compensation arrangement, Onadele Koko is eligible for options to buy up to 486,683,000 shares of stock at an exercise price of N1 each.	The Group granted share appreciation rights (SARs) to the CEO that entitle him to a cash payment subject to the terms of the agreement. The CEO does not have the option to buy the shares of the Company, and will be entitled to a cash settlement, where all the terms are met.
7.	FMDQ shares are not listed but the firm calculated the share price of the SARs as N9.58 per share, valuing the total share options package at N4.66bn at the end of 2020, according to MoneyCentral's calculations	FMDQ Group has been professionally valued at N9.58 per share as at Dec. 31, 2020, however this is not the value of the SARs. The stock options as at Dec. 31, 2020, as professionally valued by our External Auditor, KPMG, is N2.51bn as accounted for in our financial statements. There is no record of the N4.66bn in our financial statements.
8.	The Board would have approved it but you know when majority of the Board members are operators within his SRO entity, and when majority of the directors, who are bank CEOs really are not paying much attention to the value of the business, that's what you get," a market source speaking on condition of anonymity, told MoneyCentral.	<ul style="list-style-type: none"> <li>The Group Board Governance and Human Resources Committee and the Group Board Finance and Strategy Committee diligently and independently reviewed the terms of the stock options awarded, the CEO's KPIs, and the Framework for the stock options (as provided by KPMG), before recommending same to the Group Board for review and approval. Furthermore, the stock options awarded to the CEO was considered and approved by FMDQ Group's shareholders at the AGM, and advised to the Group's regulator, the Securities and Exchange Commission (SEC). All due processes on the award of the stock options were followed</li> <li>Whilst some Directors of the Group are Bank CEOs, (also Members of FMDQ Group), the FMDQ Directors are individuals of repute and character and take due care and diligence in discharging their duties as Directors with due independence. The Group Board is also chaired by the CBN Deputy Governor, Economic Policy, and has three (3) independent (non-bank) Directors, ensuring the right level of independence required by a Board</li> <li>It is worthy of note that only two (2) of FMDQ Group Directors are Bank CEOs, and the remaining five (5) non-Executive Directors represent other stakeholders (independent Directors, FMDA Governing Council and Buy-side (PFAs)</li> </ul>



## ANALYSIS

# \$34bn untapped remittances: Why BDCs should get involved

JESSICA MAURICE

With the Central Bank of Nigeria (CBN) stoppage of foreign exchange sales to Bureaux De Change (BDCs), economists and financial sector analysts have advised the apex bank to allow the BDCs receive diaspora remittances as is done in other economies of the world. The estimated annual remittance by Nigerians in diaspora is \$34 billion and a large part of it never makes it into the country. Financial pundits have advised the CBN to institute a framework that allows BDCs, which have automated their operations, to receive these funds into the economy to boost dollar reserves and save the naira.

There are many things working in favour of Nigeria that are hardly noticed. Top on the list is the \$34 billion estimated annual remittance by Nigerians in diaspora that are barely touched because of non-existence channels to attract the funds into the economy.

Globally, Nigeria is one of the few countries that concisely attract funds from migrant workers. Others are Pakistan, Canada, USA, Australia, and Vietnam.

Nigeria is on the side of those that have many migrant workers in the rest of the world, and therefore earn foreign currencies they want to remit home.

But there is a huge problem that limits the funds from getting home.

In a media report, renowned economist and chief consultant at B. Adedipe Associates Limited, Dr. Biodun Adedipe, explained that if Nigeria is able to manage that remittance effectively, it will add 0.4 per cent to its GDP growth annually.

He disclosed that a lot of the dollars don't come into the FX market in Nigeria. The receiver gets the naira equivalent of the fund even when the funds never got to Nigeria, denying Nigeria the full benefit of diaspora remittances, despite the country being at the top in terms of benefitting from migrant workers.

"So what then happens is that instead of bringing it into the FX market in Nigeria, they keep it outside. That also becomes a leg that supports speculations that we talked about earlier on. I believe that was part of the reason why the CBN introduced the \$1 for N5 incentive. The idea now is to see if the country can harness the most of the remittances," Adedipe said.

"That now is a policy I think we need to interrogate more. How can we make it more attractive for those foreign currencies generated by migrant Nigerian workers to be remitted home, and become a part of our national supply to our market here? That now is a space for the BDCs."

Analysts said that what is needed is implementation of laws that stipulate that oil companies and other multinational companies bring dollars into the economy instead of keeping them at Home countries.

This will ensure that what is kept outside the market would come into Nigeria to boost supply. CBN already has the tools, but they need



Aminu Gwadabe, ABCON chairman

Godwin Emefiele, CBN governor

to enforce it.

ABCON President, Alhaji (Dr) Aminu Gwadabe said globally, BDCs remain one of the channels through which the Diaspora remittance funds come into countries.

He said that the BDCs remain at the centre of economic development and have the capacity to attract needed capital for the development of the Nigerian economy and deepening of the forex market.

Findings have also shown that forex remittances from Nigerians in the Diaspora far exceeded the country's earnings from crude oil export last year. Since many transactions are unrecorded or take place through informal channels, the actual amount of remittance flows into the country is arguably higher. The estimation is that migrant remittances to Nigeria could grow to \$25.5 billion, \$29.8 billion and \$34.8 billion in 2019, 2021 and 2023 respectively.

Gwadabe said Diaspora remittances remain a cheap source of funds, because it is not to be paid back with interest but goes directly into the construction of houses, payment of school fees, medicals and a lot of things that are adding value to the weak economy.

Again, BDCs are supposed to buy from travelers coming into Nigeria, whether they are foreigners or they are Nigerians who did some things offshore, and were able to make some money, and brought back those foreign currencies.

BDCs are also expected to operate at a two-way rate, then in response to what they have told you, you will now disclose whether you want to buy from them or sell to them. The operators are also expected to be in tune with market dynamics, be able to fix its own rate within the recommended commission rate in such a way that is competitive in that market.

Other issues include customer service, relationship management and commission which must be within market range.

## Import pressure on forex

But because we were net importers, that brought pressure on the FX market. And like we have also argued overtime, the major worry for the CBN or anyone considering the management of the FX market is the premium.

Premium is the difference between the official rates of the FX rate you get in other segments of the FX market. The other segments will mean, the parallel market, the BDCs, of course in those days we used to talk about export proceeds, and all manner of different arrangements.

But today, the idea simply is that any other market outside of CBN is an alternative. So what is the rate there? How is it compared to the official rate? So, the difference between these rates is called premium.

Adedipe said: "Anytime that premium is greater than five per cent, it then becomes an incentive for round tripping. This means that the foreign currency becomes now attractive for those who want to speculate to go and buy, sell and then, they generate more Naira. So they can return to the official market and buy even more dollars, then go back and convert the dollar and get even more naira. That's why it's called round tripping. There is no currency anywhere in the world that can survive such an arrangement."

## More forex supply not solution

Adedipe also said that the question that needs to be answered is what drives the exchange value of the Naira. If you are able to answer that question, it will bring us to the understanding of what is happening today.

But ordinarily, in the interplay of demand and supply, what CBN has done is not to reduce the supply of FX to the market. What they have done is to shift the supply from one segment of the market to another, and even doubled the volume; which means, the response of rate is not to the sup-

ply coming to the market, which in fact has doubled.

Equally, what could have been the concern is access. The CBN has also dealt with that by not only telling the participatory banks to have desks designated for forex, where members of the public in need of foreign currencies for defined purposes can have access to the foreign currencies required, which you can now also give to them either in cash, or as a credit into their domiciliary account, or into their dollar card.

This means the issue is not supply on one hand, and on the other hand also, access is not the problem. It means the real issue is that the speculators knew that this position of the CBN is not something sustainable, which means that it's not institutionalised.

This means therefore that if another Governor comes into office, after the expiration of Emefiele's term, there is a likelihood that he or she may go back to the old way of doing things. So we have to come back to look at those factors that cause exchange rates to move. There are about 12 of them in economics.

"One of them is the interplay between demand and supply, which as of today does not support what we see happening in that market. That is the depreciation of the Naira in the market as we see now is not supported by the interplay between demand and supply."

"Which is why I say, ultimately, the only reason we can admit this is speculation, which is based on the fact that, oh, CBN will not be able to sustain this? So, the question now will be, why can't they sustain it? If we look at our external reserves, there are two ways to interpret that in this connection."

## Diaspora Remittances and BDCs

The BDCs have for years supported Nigeria's growth agenda and CBN's commitment to exchange rate stability. To continue to play these roles creditably, the BDC industry

needs improved access to forex.

The ABCON believes the success of BDCs goes beyond favourable rates but access to multiple streams of forex earnings to deepen the market, keep the naira stable and boost BDCs operations.

Making BDCs one of the channels through which over \$34 billion annual Diaspora remittances enter the economy will give depth to forex market and boost BDCs operations.

Diaspora remittances to Nigeria, now at \$23 billion annually remain a reliable source of forex to the domestic economy and that is why over 5,500 CBN -Licenced BDCs should come to mind.

Concerned with the stagnant state of the nation's economy marred with inconsistent forex earnings through oil export, the ABCON agreed with Adedipe for BDCs to be one of the channels for receiving Diaspora remittances into the economy.

Gwadabe explained that Diaspora remittances represent household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. The remittances cash and non-cash items that flow through formal channels such as electronic wire, or through informal channels, such as money or goods carried across borders adding that Nigeria can cover a large part of capital flow gaps through remittances from its citizens in diaspora using the BDCs.

"Nigerian BDCs operators have also identified with the immense opportunities presented by Diaspora remittances and want to play greater role in attracting more foreign capital into the economy. Reason being that remittances are known to help poorer recipients meet basic needs, fund cash and non-cash investments, finance education, foster new businesses, service debt and essentially, drive economic growth," Gwadabe said.

## Connecting BDCs' to Remittance Business

Financial pundits have continued to give reasons why BDCs should be brought into the Diaspora remittance business. For instance, financial institutions' long procedures, complicated forms, and history of poor service quality means BDCs are needed to deepen the market. The BDCs segment of the market operates in a simple manner while remaining closer to the people needing the remittance funds.

"BDCs buy foreign currency from remittance recipients and sell it to Nigerians who want to travel abroad. The reason for establishing these institutions in 1989 was to broaden the forex market and improve accessibility to hard currency. The CBN supervises and issues operational guidelines for BDCs. In March 2006, Nigeria had 293 licensed BDCs which have risen to over 5,500 operators today. This development means that BDCs are willing and ready to do the remittance business," Gwadabe said.

For him, remittances are on track to become the largest source of external financing in developing countries and Nigeria cannot be left behind.



## ANALYSIS

## INSURANCE HUB

Reports prepared by MoneyCentral Analyst team led by Bala Augie

# Insurers cede N108.90 bn of premium to reinsurers in 2020

Insurers in Africa's largest economy have ceded about N108.90 billion to the reinsurance markets in 2020, representing 34.36 percent of direct premiums income for the year.

That compares with N99.34 billion in 2019, which is 32.46 percent to direct premium income for the year, according to MoneyCentral calculations.

Analysts have observed that cession rates among emerging market regions-including Africa- are higher than overall, indicating that these countries are of higher importance in the reinsurance sector than in the primary market.

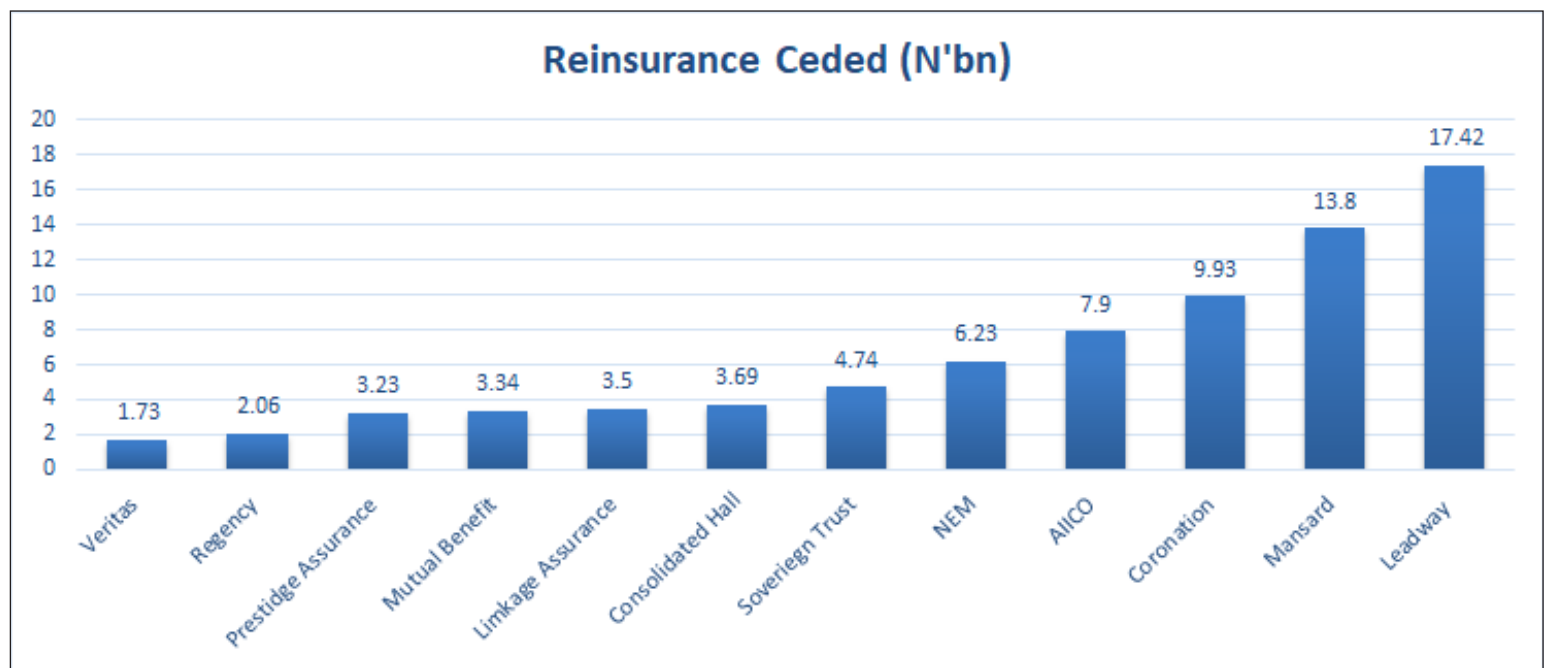
Reinsurance is one part of the insurance industry where companies agree to transfer part of their portfolios to other companies.

By ceding a portion of their risk, ceding companies reduce their overall risk exposure and liability. This allows them to remain solvent if they have to pay out a big insurance claim. It also helps insurance companies keep premiums lower for their policyholders.

Leadway Assurance, the largest insurer by total asset, incurred N17.42 billion in reinsurance expenses, which represents 31.87 percent of gross premium income.

AIICO insurance, the largest insurer by premium income, was reinsurance expenses increased by 26.76 percent to N7.90 billion while it ceded 13.01 percent of premium income.

In the General Business Segment, AIICO Insurance ceded



N6.93 billion to reinsurers, while N968.72 million was surrendered to reinsurers in the Life Business segment.

AXA Mansard Insurance ceded N13.80 billion to reinsurers, which represents 30.32 percent of premium income.

Custodian Investment's reinsurance expenses were up 26.46 percent to N24.25 billion in June 2021 from N19.17 the previous year while reinsurance ceded from premium income moved to 41.70 percent in the period under review from 40.62 percent as at June 2020.

Coronation Insurance ceded 56.91 percent of premium income to reinsurers, while reinsurance expenses were up 22.89 percent to N9.93 billion as at

June 2020.

Mutual Benefit Assurance ceded 17.46 percent of premium income to reinsurers, while reinsurance expenses increased by 18.23 percent to N3.34 billion as at December 2020.

The reinsurer expenses, which is part of the cost pull, adds to insurance companies' total expenses.

Their total operating expenses (claims plus underwriting plus management expenses) for the largest players in the industry has hit N324.22 billion in December 2020, which represents 16.38 percent of 2019's N278.58 billion, according to data compiled by MoneyCentral.

Analysts have warned that insurers are spending their way

into the future as rising costs are preventing top line (premium) impressive growth to translate into bottom line (profit) growth.

Of course, inflationary pressures, huge energy costs as electricity from the grid is erratically unstable, money incurred in the acquisition of latest technology and talented staff are beyond the control of firms who operate in tough and unpredictable macroeconomic environments.

Analysts at AM Best say inflationary pressure may increase over the short- to-medium term if the Nigerian government's fiscal budget is not met and its foreign currency reserves diminish.

"Higher inflation may introduce volatility into insurers' claims costs, although the asso-

ciated elevated premium growth could partially offset this," said the analysts.

The gap between the rises in premium income and costs for insurers is at the widest point in six years, which puts some companies in a perilous state should the economy relapse into negative growth.

Money Central investigations shows that combined net premium income of the largest insurers have risen by a mere 0.39 percent to N290.21 billion in December 2020, while their combined claims expenses rose by 27.84 percent to N191.46 billion.

The average industry claims ratio increased to 57.42 percent in December 2020 from 42.80 percent as at December 2019.

## Zenith General Insurance maintains top line growth despite headwinds

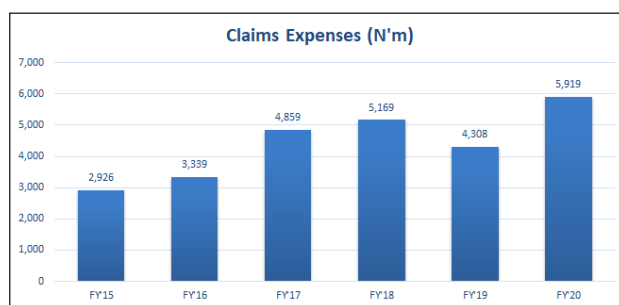
In the last six years, Zenith General Insurance Limited has been growing premium income even amid the sharp fall in crude oil price and the coronavirus pandemic that disrupted business activities across the country.

The 2020 audited financial statement of the company shows net premium income spiked by 22.94 percent to N10.89 billion from N8.89 billion as at December 2020.

Gross premium income followed the same trajectory as it increased by 59.74 percent to N17.46 billion in 2020 from N10.93 billion, according to trend analysis of the books.

Analysts attribute the stellar performance to Zenith General Insurance's innovative products that are increasingly making an inroad into the Nigerian market.

They added that the consistent advancement in revenue validates the focus and market strategies implemented by the management and board of directors of the

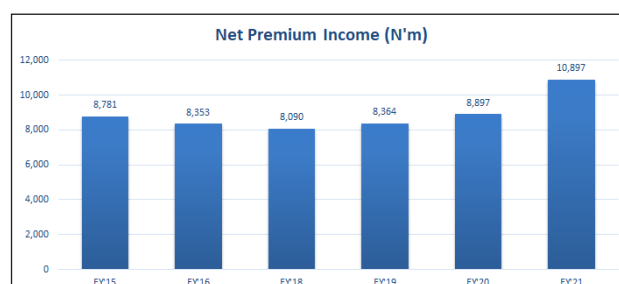


company.

Drilling down the numbers shows gross premium written from Fire Business increased by 18.51 percent to N2.88 billion from N2.43 billion as at December 2019. Motor Business was up 11.20

percent to N2.68 billion in December 2020 from N2.42 billion the previous year.

The insurer has shown resilience, surmounting the macroeconomic headwinds caused by the precipitous drop in crude oil price of

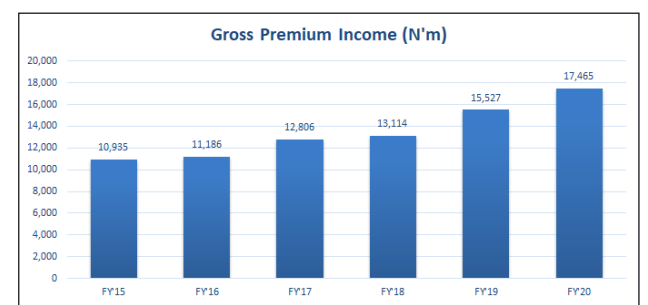


mid-2014 that tipped the country into its first recession in 25 years and the Covid-19 crises that saw the country plunge into its second recession in less than 5 years.

It is noteworthy that the industry is reeling from low penetration-despite Nigeria's huge population challenges-that is reasonable for its lagging peer rivals in Sub-Saharan Africa.

In terms of global relevance, the Nigerian insurance sector lagged significantly with total contribution to global premiums at 0.03% as it ranks 63rd of 88 countries profiled by Sigma Research in 2019.

Compared with Sub-Saharan peers, the narrative is similar, the sector's insurance penetration (GPW/GDP) remains poor at 0.3% with South Africa (13.4%), Morocco (3.9%) and Kenya (2.3%) advancing in reach. Similarly, the sector grapples with low insurance density (GPW per capita) of \$8.0



compared with South Africa (\$803.0), Morocco (\$127.0), and Kenya (\$43.0).

Notably, the industry is also beset by little awareness & understanding of insurance products, lack of trust especially with regards to claim settlement, socio cultural and religious beliefs of Nigerians, weak enforcement of compulsory insurance policies, and high poverty rate remains limiting.

Zenith General Insurance is meeting its obligations to policyholders as it paid claims of N5.91 billion in December 2020, which represents 37.41 percent uptick

from 2019's N4.30 billion.

It posted net income of N2.91 billion and N3.79 billion in underwriting income.

There are indications that the investment climate in 2021 will be propitiously auspicious as the relaxation of the lockdown measures by the government has added impetus to economic activities and underpin renewals of new policies.

The insurance sub-sector contributes 12.1 percent of the financial services sub-sector GDP, which contributes 3.2 percent of Nigeria's Gross Domestic Product (GDP).



## LEADERS

# Chief Sabastine Tartenger Hon, SAN, the celebrated lawyer

Chief Sabastine Tartenger Hon, is an expert in constitutional law, he has many books to his credit. Recently he was appointed as the Pro-Chancellor and Chairman of Governing Council, Benue State University, Makurdi after serving as a member for several years. In this piece, **Nathaniel Gbaoron**, MoneyCentral's Northern Bureau chief writes on his success in the legal profession among others

True to the time honoured postulation by the renowned Elizabethan scholar, William Shakespeare, "Some are born great, some achieve greatness, and some have greatness thrust upon them". Whichever side of one's reference frame, this saying sufficiently finds accommodation in the Pro-chancellor and Chairman of the Governing Council of Benue State University, Makurdi, Chief Sabastine Tartenger Hon, SAN FCI Arb.

Sabastine Hon has, through sheer hard work, dedication, humility and fear of God, broken into the league of well respected and highly rated household names in Nigeria. He is a man who has distinguished himself among his contemporaries in terms of character, competence, courage, credibility and integrity. Indeed, these sterling qualities are the hallmarks of greatness and have also endeared him to the people within and beyond Nigeria.

A man of many good parts, Sabastine Hon is well known for his legal prowess. He is also a prolific author, dynamic and versatile consultant of Constitutional Law, philanthropist and a deep rooted Christian.

Born on December 9, 1967, at the police barracks in Kano, Northern Nigeria, Chief Sabastine Tar Hon, SAN, is the second son of late Elder Michael Igba Hon and Mama Regina Angongee Hon, from Mbayion in Gboko Local Government Area of Benue state.

Also known variously as 'S.T. Hon', 'Tar Hon' or 'S.T.', he attended St. Francis Primary School, Gboko; Kings Comprehensive College, Mkar, Gboko; School of Basic Studies, Makurdi; University of Jos, Jos, and the Nigerian Law School, Lagos after which he was called to the Nigerian Bar in 1991. Chief Tar Hon undertook his compulsory National Youth Service (NYSC) between 1991 and 1992 with the Law firm, Enefiok Udoh & Co (Barrister & solicitors) No. 148, Oron road, Uyo.

Upon completion of the NYSC programme, Chief Sabastine Hon had a brief stint with Matthias Zwabo & Co., Gboko and later moved to Gembu in Taraba State where he set up his Law firm, S.T Hon & Co (Gaskiya Chambers), No. 88/89, Amadu Bello Way.

S.T. Hon who has practised law as Barrister and Solicitor in all strata of Courts and Tribunals in Nigeria, including the Supreme Court, has combined law practice with relentless book



writing; and as at today, he has authored and published several texts some of which are reference materials in all courts of law in Nigeria.

Some of the books are:

1. Management of Primary Schools at the Third Tier of Government in Nigeria: A legal manual (Based on Decree No. 3 of 1991; and published in 1992 during his Youth Service). He was a co-author.

2. Constitutional Law and Jurisprudence in Nigeria (Based on the 1999 Constitution of the Federal Republic of Nigeria and published in 2004).

3. Law of Evidence in Nigeria Substantive and Procedural (published in 2006). This is one of the most constantly referred to and utilized books by lawyers, judges and legal researchers in Nigeria and beyond. One major feature of the book is that even before the 2011 amendment that ushered in the current evidence act and its provisions authorizing admissibility of computer generated evidence, the book had already utilized section 5 of the 2004 evidence act, which provided that evidence which was admissible in foreign countries was admissible in Nigeria to urge strenuously that computer-generated evidence was

admissible in Nigeria-since it was admissible in some other countries.

4. Civil Procedure in Nigeria (Federal High Court, State High Courts and FCT Abuja High Court) Vol. I (Published in 2008).

5. S.T Hon's Law of Evidence in Nigeria, Vols I and II (1st Edition published in 2012, 2nd Edition, published in 2013, while the 3rd Edition, compressed into a single volume, is being printed currently). This book has earned S.T Hon the enviable position of a leading authority on the Law of Evidence in Nigeria.

6. S.T Hon's Constitutional and Migration Law in Nigeria (Published in 2016). This is the first Nigerian book to discuss migration law.

The views expressed by the Vice-President, Prof. Osibanjo, SAN, about the author during the public presentation of the book is hereby reproduced as follows:

"Since 2013 when I started reading books written by Sabastine Hon, I have discovered that he is fearless and forthright. He discusses topics not covered by any other author in Nigeria and takes a strong position, backed up with good arguments. He is still a young man and I believe the sky is just his beginning. I am a Professor of the Law of

Evidence. I used to think I was the wisest when it comes to the Law of Evidence, but since I started reading S.T Hon's Book on Evidence, I have realized he is wiser than me. I honestly commend him for the weightily contributions he has made to the development of law in Nigeria".

In view of his unquantifiable contributions to the development of law in Nigeria, the Legal Practitioners' Privileges Committee, in 2008, elevated Sabastine Tartenger Hon to the rank of Senior Advocate of Nigeria, SAN. He was the only applicant elevated that year as an academic, owing largely to his quite onerous task of combining research and book writing with legal practice.

He is a Fellow of the Institute of Chartered Arbitrators, the highest any person can attain in arbitration. This was on November 21, 2014; and that is why he adds the acronym FCI Arb after his name.

Chief S.T Hon has been recognized for his sterling contributions to the development of Law in Nigeria and has been appointed and served without lobbying in any form in the following capacities:

1. Member, Legal Practitioners' Privileges Appeal Commit-

tee (2013).

2. Member, Court of Appeal Rules Drafting Committee (2011-2016).

3. Member, Advisory Committee on the Bayelsa State High Court Rules;

4. Chairman (and later Consultant), Continuing Legal Education Committee of the Nigerian Bar Association, Port Harcourt branch (2012-2014).

5. Alternate chairman (National), Editorial Board, Nigerian Bar Association (2012-2014).

6. Member, Legal Practitioners Privileges Committee (2019-date).

Chief Sabastine Tar Hon has contributed immensely to the development of Benue State and Nigeria at large. He has influenced the employment and appointment of many Nigerians at local, state and national levels. In recognition of his massive exploits as a Lawyer, Author and consistent contributions to the well-being of humanity, Gboko Traditional Council, in 2017, conferred on him the honorific title of AFA ATINDI U GBOKO. His immediate Community, Mbayion, in 2019, bestowed on him the award of SEMA WAN U MBAYION.

It is not in doubt, that these numerous achievements and contributions of Chief Sabastine Tar Hon, SAN has not gone unnoticed in the eyes of the Benue State Governor, Dr. Samuel Ortom. Until his appointment by the Governor as Pro-Chancellor and Chairman of Governing Council, Benue State University, Makurdi, S.T Hon was a Member of the Council.

With this appointment and inauguration on September 14 2021, by the Executive Governor of Benue State, Dr. Samuel Ortom, Chief Sabastine Hon SAN, will no doubt deploy his wealth of experience to turnaround the fortunes of the prestigious Benue State University Makurdi.

Chief Sabastine Tar Hon is a responsible family man married to his heartthrob, Chief Mrs. Felicia Ngufan Hon, and the marriage is blessed with three children.

Hon, is a distinguished Nigerian who is a thorough researcher, dynamic and versatile Constitutional Lawyer, a bundle of humility and extraordinary Tiv son who passionately loves humanity.

He is also a philanthropist and administrator par excellence, Chief. Sabastine Hon SAN, FCI Arb, Afa Atindi U Gboko, Sema Wan u Mbayion.



## NATIONAL



L-R: Permanent Secretary, Edo State Ministry of Health, Dr. Osamwonyi Irowa; Head of Edo COVID-19 Case Management, Dr. Ebomwonyi Osagie, and Edo State Coordinator, World Health Organisation (WHO), Mrs. Faith Iyere, during the state's daily COVID-19 briefing at the Government House, Benin City on Friday.

## Emefiele's summer season...

*Continued from page 1*  
and educational needs," said analysts at CSL Stockbrokers Limited.

"Though the apex bank redirected the FX supply previously meant for the BDCs to commercial banks, restrictions on FX demand limit placed by the banks on customers have not changed and stringent requirements to access FX from the banks can be discouraging for some. As such, customers have resorted to getting FX from the parallel market, pushing exchange rates to new levels," said the analysts.

The central bank's policies historically have not helped to ease foreign exchange pressures, instead, they are always mistimed.

In 2016, when the CBN took a similar action to stabilize an economy that was reeling from the devastating effect of the precipitous drop in crude oil price of mid-2014 - it yielded limited results, as the parallel market premium was estimated at 61 percent as of year-end.

Some economists MoneyCentral spoke to believe Godwin Emefiele's abrupt decisions are undermining the economy, and are looking in retrospect at his capital control measures such as the ban on over 40 items from the Apex bank foreign exchange windows.

While the governor's introduction of the Investors' and Exporters' window in 2017 temporarily eased the flow of foreign currency in the market, the inability of foreign portfolio investors (FPIs) to get foreign exchange (FX) for repatriation has stalled foreign portfolio inflows, a major source of dollar supply into the economy.

Foreign investors' apathy

toward the equity or Naira market stemmed from the fact that the central bank is not nimble enough to weaken the currency at the exact time needed to unlock the potentials in the economy.

Foreign Exchange Reserves in Nigeria have gone nowhere in the past year, standing at \$35.36 billion as at September 2021, which compares with \$35.73 billion as at October 2020, according to data from the CBN website.

Little wonder Godwin Emefiele got an average (C) grade from the Global Finance Institute, in its latest ranking of central bank chiefs across the globe.

The report showed that Abdellatif Jouahri, the Governor of Bank al-Maghrib (Morocco), earned an "A grade," which is the highest distinction awarded by "Central Banker Report Cards" for the fourth time in a row. He was credited for his efforts in tripling the supply of funds to commercial banks and expanding the range of bonds and securities the apex bank would accept in exchange for refinancing.

The majority of economists polled by MoneyCentral last week believe the measures rolled out by the CBN to fight the rising premium between the I&E and black market rates such as going after websites like AbokiFX were likely to be ineffective in easing the pressure at the parallel market.

At the end of its last Monetary Policy Committee (MPC) meeting held on September 16th and 17th, the CBN reiterated that Nigeria's only recognised exchange rate is the investors and exporters (I&E), where legitimate FX demands are met.

The monetary authority

also noted that selling FX from the reserves to BDCs is not a global best practice. Therefore, it emphasised that the decision to stop sales to the sector would not be reversed. The CBN disclosed that it will go after illegal currency dealers, including individuals who illicitly obtain dollars from banks in the guise of having BTA and PTA-related needs.

The apex bank is also investigating AbokiFX, its owner, and complicit companies for allegedly participating in FX manipulation, illegal fixing of USD/NGN rates, and economic sabotage.

AbokiFX, a web platform that reports movements in the foreign exchange market, over the weekend suspended operations after the Central Bank of Nigeria (CBN) placed its owners on investigations.

The platform said this in a notice posted on its website on Friday.

At the end of the monetary policy committee (MPC) meeting on Friday, Godwin Emefiele, governor of the Central Bank of Nigeria (CBN), confirmed the investigation of Oniwinde Adedotun, the founder of abokiFX.

Speaking on the allegations, Emefiele claimed that Oniwinde used his website for forex manipulations and speculations by purchasing forex to make a profit — describing him as an illegal forex trader.

But in a statement on Friday evening, abokiFX distanced itself from the allegations, saying the platform is solely for parallel rate information and not trading.

"abokifx has taken the decision, today, 17th of September 2021, to temporarily suspend rate updates on all our platforms until we get better clarity of the situa-

tion," the statement reads.

"Final rates have been posted this evening, but the abokiFX news section and the Crypto rates section will still be active.

"abokiFX was established in 2014 as a research and information service company, to conduct market research and gather data on the parallel market rates. We also wanted to provide some transparency around the parallel market with the available information technology. abokiFX purely provides benchmark parallel rate information which helps guide our users in almost 200 countries across the world.

"abokiFX does NOT TRADE FX, which we have always maintained in our emails and social media platforms."

The platform said it has not received any official communication from any government agencies and its accounts are intact.

"All allegations against our director are yet to be confirmed but we at abokiFX DO NOT trade FX neither do we manipulate parallel market rates," the statement adds.

"Outside the media allegation, we have not received any communication from any government body and our accounts are not closed as stipulated in the media.

"abokiFX is fully functional BUT we will not be publishing any form of rates on our platforms for now.

"We sincerely hope this suspension will lead to the Naira appreciation from next week.

"With our decision to temporarily suspend online rate publication, we are aware that there will be limited visibility of parallel rates information which will impact decision making for many."

## INFRASTRUCTURE

## FG building three flyovers, interchange to decongest Lagos-Ibadan expressway – Fashola

SEUN PETERS

The federal government is collaborating with the Ogun Government to secure the Right of Way (RoW) for the construction of three bridges and an interchange on the Lagos-Ibadan expressway. The Minister of Works and Housing, Babatunde Fashola, said this during an inspection of the highway last week.

Mr Fashola, who was joined by Governor Dapo Abiodun at the Lotto Bridge under construction, said the highway accommodates over 40,000 vehicles daily, hence the urgent need for additional flyovers and interchanges for decongestion.

The bridges are under construction at Makun, MFM, and Lotto (Mowe) areas on the Lagos-Ibadan expressway.

"We are trying to execute an interchange that will separate the main carriageway and give commuters choice, especially those going to religious places to worship, those going to universities, and so on and so forth.

"So that what used to cause the congestion is limited to the barest minimum if not totally eradicated when the road is finished.

"So, we now require additional land to build the interchange, that is why I called the governor (Dapo Abiodun)," he said.

He said the Buhari administration inherited several stalled projects which he was committed to completing by adequately funding the projects.



Mr Fashola expressed satisfaction with the progress of work on the ongoing reconstruction/rehabilitation of the Lagos-Ibadan Expressway.

On his part, Governor Abiodun assured that the state government would give all the land and support needed.

Earlier, the Federal Controller of Works in Lagos, Olukayode Popoola, gave the measurements and dimensions needed for the bridges and interchange.

Mr Popoola also gave details on the number of buildings and services on the Right of Way of the bridges which, without paying compensations, would stall the project.

He said that section one of the Lagos-Ibadan Expressway project, which spans from Ojota in Lagos to Sagamu Interchange "has achieved 56 per cent completion".

Also, during inspection of section two of the project, which spans from the Sagamu Interchange to Ojoo in Ibadan, the Federal Controller of Works in Ogun, Umar Bakare, said the section was 63 per cent completed.

Conducting the minister through the site, Mr Bakare assured that all the challenges slowing down the project around the Ogere axis had been dealt with, helping construction get to the final layer on several portions.

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## MARKET EAR

# Corporate Nigeria's profit jumps 33.10% to N1.07 trillion in second quarter

BALA AUGIE

Big Nigerian companies have recorded a mammoth rebound in profit during the second quarter earnings season, underscoring the scale of the recovery in corporate Nigeria's fortune since the depth of the pandemic.

The NGX 30- the list of top 30 companies in terms of market capitalisation and liquidity-collectively grew profit by 33.10 percent to N1.07 trillion, from N756.63 billion a year earlier according to data gathered by MoneyCentral.

The NGX 30 All Share Index has lost 1.44 percent since the start of the year, but it has outperformed the NGX All Share Index which is down -3.47 percent

In short, 66.67 percent of firms that have reported half-year results have seen earnings grow, and analysts are optimistic that they will maintain the upward trajectory all through the end of the year.

The earnings season witnessed the resurgence of some consumer goods firms who had capitulated due to deteriorating consumer purchasing power brought on by inflationary pressure, rising energy cost, spiraling utility bills, and currency volatility.

For instance, the combined net income of the largest consumer goods firms spiked by 136.83 percent to N54.19 billion as at June 2021.

Guinness Nigeria and Unilever posted net income of N1.24 billion and N714.78 million from loss positions of N12.69 billion and N519.12 million respectively.

Analysts have attributed those rebounds to the relaxation of the social distancing measures that invigorated business activities after a long hiatus, improved vaccination, and hike in the products by some entities to compensate for rising input costs.

The Nigerian economy grew by 5.01 percent in the second quarter of 2021, according to data from the National Bureau of Statistics (NBS).

The country's inflation rate in the month of August 2021 dropped to 17.01% from 17.38% recorded in July 2021. This represents the fifth consecutive decline in the rate of inflation recorded in Nigeria.

Investors pay attention to the bottom lines (profit) of companies because they want to be sure they will be paid bumper dividends or whether most of the earnings will be plunged back into the business to finance future expansion plans.

Dangote Cement, Lafarge Africa, and BUA Cement collectively grew net income by 46.63 percent to N240.98 billion as at June 2021, thanks

to strong demand for building material on the back of real estate investment and acceleration in construction activities.

Analysts are upbeat that a further price adjustment and low interest rate environment will add impetus to future earnings.

They, however, remain cautiously optimistic given the currency volatility and negative connotation for cost.

Seplat Energy, the largest downstream oil and gas firm by market capitalisation, saw a 32.1 percent year on year (y/y) and a 404.4 y/y increase in topline (sales) and bottom line (profit) to close at \$303.8 million and \$36.1 million. The strong performance was mainly bolstered by increased crude and gas sales which were spurred by the global economic recovery

Brent crude oil now stands at \$75.50 a barrel as of September 17, while West Texas Intermediate (WTI) is \$72.67.

Analysts at United Capital expect ANOH, SEPLAT's gas processing plant, scheduled to resume in the second

quarter of (H1) 2022, to boost the company revenue drive, bolster its gas expansion plans and its gas supply to the Nigerian power grid.

"Furthermore, in 2022, We expect gas revenue to improve due to the expected increase in electricity tariffs following the expected implementation of the Multi-Year Tariff Order," said analysts at United Capital.

MTN Nigeria, the largest telecommunications company by market capitalization, saw net income spike by 49.98 percent to N141.82 billion as at June 2021.

But analysts at Chapel Hill Denham are of the view that the financial technological companies are the likely growth drivers as subscriber growth is subdued by regulatory headwinds.

While the strong internet subscribers buoyed by growing young population and the proliferation of mobile phones are expected to support earnings all through the end of the year, operating profit will be largely affected by currency devaluations.

## EQUITIES

### Nigerian equities underperform global peers

BALA AUGIE

Nigeria's equity returns are lagging other major indices across the globe, which is not surprising given the protracted sell-offs since the first quarter of the year.

The Nigerian Exchange Limited (NGX) All Share Index has lost -3.58 percent in the first six months of the year, according to data compiled by Chapel Hill Denham Limited.

That compares with Ghana whose ASI jumped +36.33 percent year to date (YTD); China SHANGHAI COMP +3.40 percent; Emerging Market, 6.46 percent; Brasil IBOVESPA, 6.54 percent; UK FTSE 100, +8.93 percent; India Sensex +30, 9.91 percent; South Africa JSE, 11.51 percent; and US NASDAQ, +12.54 percent.

Others are: Germany DAX, +13.21 percent; Nairobi ASI +14.08 percent; Euro Stoxx, +14.40 percent; US S and P 500, +14.41 percent, and Frontier Market, +14.48 percent.

The NGX ASI inched up 8bps to 38,943.87pts as of September 17, but the YTD loss dropped to -3.29 percent.

Ironically, the local bourse ranked the world's best performing in 2020, but it began to crash as a

result of the rotation into fixed income securities.

Of course, foreign investors have always been the net sellers of Naira assets, as they remain indifferent about an equity market on the back of policy inconsistency on the part of the regulators.

Foreign portfolio investors fret that an abrupt devaluation of the currency means they will be unable to take their cash out of the country.

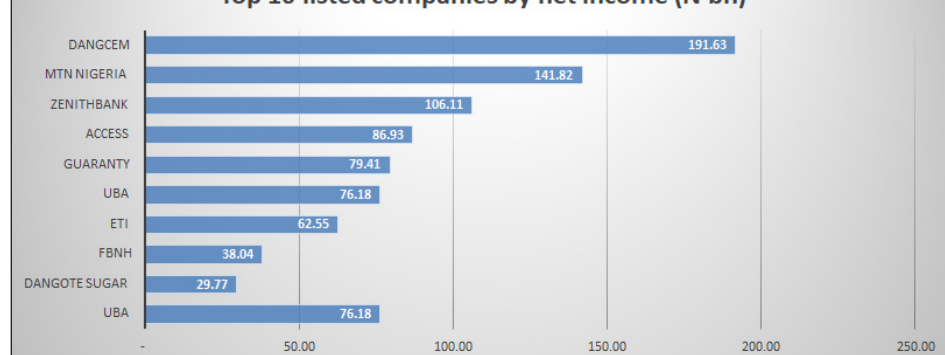
The deteriorating foreign direct investment has left the central bank governor scratching his head.

It is noteworthy that the gradual recovery and impressive earnings season spurred by the relaxation of lockdown measures and rollout of vaccines are incongruous with the stock market.

Beyond expectations, the Nigerian economy grew by 5.01 percent year on year (yoy) in the second quarter (Q2) 2021, according to recent data by the National Bureau of Statistics (NBS).

The NGX 30- the list of top 30 companies in terms of market capitalisation and liquidity-collectively grew profit by 33.10 percent to N1.07 trillion, from N756.63 billion a year earlier according to data gathered by MoneyCentral.

Top 10 listed companies by net income (N'bn)



## MARKETS

# Banks wary as fintechs seek to crack finance code

JESSICA MAURICE

Global brands from Mercedes to Amazon and Walmart are cutting out the traditional financial middleman and plugging in software from tech startups to offer customers everything from banking and credit to insurance.

In Nigeria payment startups like Flutterwave, Opay as well as more established names like MTN are increasingly keen to encroach in the traditional banking space, helping to drive innovation in payments and other products.

Today embedded finance - a term for companies integrating software to offer financial services

- means Amazon can let customers "buy now pay later" when they check out and Mercedes drivers can get their cars to pay for their fuel.

Banks are still behind most of the transactions but investors and analysts say the risk for traditional lenders is that they will get pushed further away from the front end of the finance chain.

If financial technology firms, or fintechs, can match their success in grabbing a chunk of digital payments from banks - and boosting their valuations in the process - lenders may have to respond, analysts say.

In Nigeria that is already happening with

the recent billion-dollar valuation for Opay after SoftBank Vision Fund 2 led a \$400 million funding round, valuing the Nigerian mobile-payments platform at \$2 billion and marking the investment vehicle's first bet in Africa.

The \$2 billion or N824 billion valuation (using the I&E window rate of \$1/N412) now means that Opay is bigger than all Nigerian banks, a remarkable feat given that the company is barely 3 years old.

Accenture estimated in 2019 that new entrants to the payments market had amassed 8% of revenues globally - and that share has risen over the past year

as the pandemic boosted digital payments and hit traditional payments, Alan McIntyre, senior banking industry director at Accenture, said.

"Big banks and insurers will lose out if they don't act quickly and work out where to play in this market," said Simon Torrance, founder of Embedded Finance & Super App Strategies.

Analysts say customers expect services, including financial services, to be directly integrated at the point of consumption, and to be convenient, digital, and immediately accessible.

Major advances into

finance by companies from other sectors could however still be limited by regulators. Officials from the Bank for International Settlements, a consortium of central banks and financial regulators, warned watchdogs last month to get to grips with the growing influence of technology firms in finance.

In Nigeria actions by the Central Bank has put a chill in its hitherto thriving market for Bitcoin and other crypto-currencies.

The CBN has also prevented technology firms like MTN from playing directly in the mobile money space if they want to provide loans to customers or

accept deposits.

The apex bank has also directed mobile money firms to partner with banks in the country.

Financial regulators were taking the approach that because they don't know how to regulate tech firms they are insisting there's a bank behind every transaction - but that did not mean banks would prevent fintechs encroaching, said Matt Harris, a partner at investor Bain Capital Ventures.

"They are right that the banks will always have a role but it's not a very remunerative role and it involves very little ownership of the customer," Harris said.



## THE BOTTOM LINE

# Fidelity Bank aggressive about lending as LDR exceeds regulatory threshold

BALA AUGIE

Fidelity Bank Plc has adequate liquidity to cover loans in the event of an economic downturn even as it extends more credit to the real sector than its peer rivals.

The Tier 2 or mid-sized bank's loans to deposit ratio stood at 86.40 percent as at June 2021, which is higher than the 65 percent threshold by the regulator.

Most operators in the industry have not met the benchmark yet, as they are refusing to turn on the tap of the lending to an economy recovering from the wrought brought on by the coronavirus pandemic.

For instance, Guaranty Trust Bank, the largest lender by market capitalization, has LDR of 43.20 percent, while First City Monument Bank, Zenith Bank, Stanbic IBTC, and United Bank for Africa, (UBA), have LDR of 70 percent; 51.90 percent; 56.80 percent, and 43.20 percent respectively.

The loan-to-deposit ratio (LDR) is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. The LDR is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements. Conversely, if the ratio is too low, the bank may not be earning as much as it could be.

Typically, the ideal loan-to-deposit ratio is 80% to 90%. A loan-to-deposit ratio of 100 percent means a bank loaned one dollar to customers for every dollar received in deposits it received.

To spur growth in the economy, CBN in October 2019 had raised the Loan-to-Deposit Ratio (LDR) of banks to 65 percent, after the September 30 deadline given to the banks to meet the initial target of 60 percent.

Interestingly, Fidelity Bank is attracting and retaining customers as increases in deposit



Nneka Onyeali-Ikpe, MD/CEO, Fidelity Bank plc

indicates new clients are being boarded; and what this means is that it has money to lend and increase earnings.

It is also leveraging innovative technology and financial inclusion to mobilise sustainable low-cost deposits as total deposit was up 16.54 percent to N1.98 trillion in June 2021 from N1.70 trillion as at June 2020.

A breakdown of the deposit base shows low cost deposits grew by 3.20 percent year to date (YTD), but growth is being pressured by a low yield environment.

It is noteworthy that when a financial institution isn't increasing its deposits or its deposits are shrinking, the bank will have less money to lend.

Of course, Fidelity Bank has a well-diversified portfolio, as an excellent risk management strategy has paid off given the improvement in asset quality.

Its non-performing loans (NPLs) stood at 2.80 percent as at June 2021, which is lower than the 5 percent regulatory threshold.

An economic recovery that led to improved asset quality led

to a reduction in Fidelity Bank's impairment charge on financial asset by 70.60 percent to N2.30 billion in June 2021 from N7.84 billion the previous year.

As a result of the relaxation of social distancing measures by the government across the globe that added impetus to oil price and invigorated business activities, the Nigerian economy grew by 5.01 percent year on year in the second quarter (Q2) of 2021.

Fidelity Bank's total loans or loan book was up 11.14 percent to N1.71 trillion in the period under review from N1.54 trillion the previous year; this reflects approach to mitigate concentration risk.

Notably, the lender generates revenue from credit that it extends to customers, which helps compensate for the slow growth in interest income from investment securities brought on majorly by the decision of the central bank to bar individuals and non-corporate from its Open Market Operations (OMO).

Interest income from loans and advances to customers was up 16.24 percent to N72.35 billion in June 2021 from N62.24 billion as at June 2020. In short, in the past six years, revenues have grown steadily. It grew 83.24 percent to N72.35 billion in 2021 from N39.44 billion in 2016.

It is important to note that Fidelity Bank is creating wealth for shareholders through loan creation while maintaining the financial intermediation role

as it delivers higher returns to shareholders.

The return on average equity increased to 12.10 percent in June 2021 from 10.30 percent as at June 2020.

Its net income surged by 100.83 percent to N19.03 billion in the period under review from N11.03 billion the previous year.

"We sustained our impressive financial performance with double-digit growth in profit as increased customer transactions drove non-interest revenue while improved operational efficiency continued to moderate cost - to - serve," said Nneka Onyeali-Ikpe, MD/CEO of Fidelity Bank Plc.

"Digital Banking gained further traction as we now have 55.1% of our customers enrolled on the mobile/internet banking products and 89.3% of customer-induced transactions were done on digital platforms", explained Onyeali-Ikpe.

### About Fidelity Bank

Fidelity Bank is a full-fledged commercial bank operating in Nigeria, with over 5 million customers who are serviced across its 250 business offices and various other digital banking channels.

Focused on select niche corporate banking sectors as well as Micro Small and Medium Enterprises (MSMEs), Fidelity Bank is rapidly implementing a digital based retail banking strategy which has resulted in exponential growth in savings deposits over the last Six (6) years, with over 40 percent customer enrollment on the Bank's flagship mobile/internet banking products.

Quoted on the Nigerian Stock Exchange (NSE), Fidelity Bank Plc began operations in 1988 as a Merchant Bank. In 1999, it converted to Commercial Banking and then became a Universal Bank in February 2001. The current enlarged Fidelity Bank is a result of the merger with the former FSB International Bank Plc and Manny Bank Plc in 2005.

