



Reorganisation of Nigerian Banking Sector

Professor Charles Soludo, Governor, Central Bank of Nigeria (CBN), announced a major reform programme on 6th July, 2004 aimed at transforming the banking landscape of Nigeria. The main thrust of the reform agenda was the prescription of a minimum shareholder's funds of Naira 25 billion (approx. US\$ 170 million) for a Nigerian deposit money bank not later than **31st December, 2005** for being eligible to continue with its banking business in Nigeria or else face liquidation.

According to this programme, the extant 89 Nigerian banks were expected to shore up their capital through injection of fresh funds or enter into merger/acquisition arrangements with other relatively smaller banks thus taking the advantage of economies of scale to reduce cost of doing business and enhance their competitiveness locally and internationally.

At the close of 31st December, 2005, the CBN ordered liquidation of 13 major banks, which failed to meet its N 25 billion capital base. The banks are : ACB International Bank, Afex Bank, All States Trust Bank, Assurance Bank, City Express Bank, Eagle Bank, Fortune Bank, Gulf Bank, Hallmark Bank, Liberty Bank, Metropolitan Bank, Trade Bank and Triumph Bank.

Out of the 76 remaining banks, some have been able to mobilize capital base of N 25 billion and others have chosen to enter into merger/acquisition arrangements with other smaller banks. At the end of this exercise, the number of banks in Nigeria shrunk from 89 to 25 which altogether account for 93.5 per cent of the deposit share of the market. The capital market also received a boost with a total of N 406 billion (US\$ 2.8 billion) raised so far including foreign capital inflow of US\$ 654 million.

The 25 banks that will be in the Nigerian banking industry are : Access Bank Plc, Afribank Plc, Diamond Bank Plc, Ecobank Plc, Equatorial Trust Bank Limited, First City Monument Bank, Fidelity Bank, First Bank Plc, First Inland Bank Plc, Guaranty Trust Bank Plc, IBTC-Chartered Bank, Intercontinental Bank, Nigeria International Bank, Oceanic Bank Plc, Platinum Bank Plc, Skye Bank Plc, Spring Bank Plc, Stanbic Bank Plc, Standard Chartered Bank Plc, United Bank of Africa Plc, Sterling Bank Plc, Union Bank Plc, Unity Bank Plc, Wema Bank Plc and Zenith Bank Plc.

The CBN advised the general banking public to henceforth transact their banking business with only the successful 25 banks.