Banking - Nigeria

Selection of advisers signals AMCON's exit from bridge banks

Contributed by **Banwo & Ighodalo**

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On August 7 2012 the Asset Management Corporation of Nigeria (AMCON) announced the appointment of two consortia of professional advisers to provide services in connection with its intended divestment from three bridge banks - Enterprise Bank, Keystone Bank and Mainstreet Bank. The appointment follows a detailed process of evaluation and selection from among the 11 consortia initially shortlisted by AMCON.

The two chosen consortia are the Renaissance Capital Consortium and the Citibank Consortium, both of which comprise financial and legal advisory service providers and auditing and accounting firms. Each consortium will provide financial, legal, consultancy, accounting and other advisory services, assisting AMCON in determining its most viable exit strategy - options include sale to core investors, management buy-outs and listing on the Nigerian Stock Exchange. The Renaissance Capital Consortium has been appointed in respect of Enterprise Bank and Keystone Bank, while the Citibank Consortium will be responsible for Mainstreet Bank.

As a result of the global financial crisis which broke in 2008 and its impact on the Nigerian banking system, the Central Bank of Nigeria conducted a special examination of the 24 Nigerian banks in existence at the time. The examination, which was initiated in 2009, revealed significant deficiencies in liquidity and capital adequacy requirements, and exposed serious weaknesses in corporate governance and risk management practices at certain banks. In order to avert the imminent collapse of the banking sector, the Central Bank of Nigeria injected new capital into eight banks in the form of loans; it also replaced the chief executives and executive directors of the banks in question. AMCON was established and, among other things, was mandated to acquire their non-performing loans and inject further capital in order to bring their negative net asset value to at least zero, pending their sale to new owners.

In the course of this recapitalisation process, the Central Bank of Nigeria determined that three of the eight banks - Spring Bank, Bank PHB and Afribank - had not demonstrated the necessary capacity to recapitalise successfully before the September 2011 deadline. Accordingly, their licences were revoked, their assets and liabilities were transferred to bridge banks and their shares were delisted from the Nigerian Stock Exchange. One year on, AMCON's selection of professional advisers represents the first formal step towards the divestment of its interest in the bridge banks.

There is good reason to be cautiously optimistic about this new phase of development in the Nigerian banking sector. The process is expected to contribute to a more efficient era of bank management and to the continued growth and sustainability of the sector, culminating in an overall positive impact on the Nigerian financial and capital markets and the economy as a whole.

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