

## AFRICA RISK CONSULTING

### Nigeria Monthly Briefing June 2024

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#### Nigeria Summary 21 June 2024

*The Central Bank of Nigeria (CBN) withdraws Heritage Bank Plc's operating license due to a breach of the Banks and Other Financial Institutions Act, 2020 (BOFIA). Fidelity Bank Plc on 5 June discloses plans to raise ₦127.1 billion (\$84.6m) through a public share offer and a rights issue to meet the amended CBN minimum capital requirement for Nigerian banks. The Nigerian Labour Congress (NLC) and the Trade Union Congress (TUC) embark on strike action on 3 June over the proposed minimum wage. It is the trade union's fourth round of strike action since the swearing-in of President Bola Tinubu (2023-present).*

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#### CBN revokes Heritage Bank PLC's license to operate

The **Central Bank of Nigeria (CBN)** announced the withdrawal of **Heritage Bank Plc's** operating license due to a breach of Section 12(1) of the **Banks and Other Financial Institutions Act, 2020 (BOFIA)** on 3 June.<sup>1</sup> Notably, the move coincided with customers complaining about failed or incomplete transactions.<sup>2</sup> The apex bank explained that the revocation became necessary due to Heritage Bank PLC's poor financial performance which it described as "*a threat to financial stability*".<sup>3</sup> The CBN has directed the **Nigeria Deposit Insurance Corporation (NDIC)** to act as the liquidator of the closed bank.

Several issues could explain the withdrawal, including Heritage Bank's bad loans, questionable acquisition deals and other corporate governance issues.<sup>4</sup> In 2023, **Jim Obazee**, the CBN's special investigator under former governor **Godwin Emefiele**, released a special report highlighting several flaws with Heritage Bank. A key finding speculated that the bank's collapse could be linked to its role in acquiring **Keystone Bank Limited**, another commercial bank, by proxies. It was reportedly revealed that in 2017, Heritage Bank issued a loan of ₦25 billion (\$16.7m) to promoters of **ISA FUNTUA/EMEFIELE GROUP**, an alleged ally of Emefiele, for the purchase of Keystone Bank. Obazee's investigation report cited that upon acquisition, issues arose concerning loan repayment by Keystone Bank which may have partly contributed to Heritage Bank's liquidation.<sup>5</sup>

Some financial experts had anticipated the move and stated that the bank had been struggling financially about six years ago. **New Dimension Shareholders Association** national president **Patrick Ajudua**, stated:

*"Since 2018, the bank performing loans has risen to a height of 90 per cent of loans portfolio. Only five per cent of loans are performing. Also, they (Heritage) have over N1 trillion in negative capital reserves. Hence they are a bank that has been in the intensive care unit for more than five years"*<sup>6</sup>

Following the announcement of Heritage Bank's closure, rumours circulated online that CBN planned to shut down four additional commercial banks, but CBN denied the rumours and called the claims

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<sup>1</sup> Central Bank of Nigeria, 3 June 2024

<sup>2</sup> Premium Times, 15 June 2024

<sup>3</sup> Central Bank of Nigeria, 3 June 2024

<sup>4</sup> Premium Times, 15 June 2024

<sup>5</sup> The Cable, 23 December 2023

<sup>6</sup> ICIR, 4 June 2024

false.<sup>7</sup> Regardless, the unprecedented situation has cast doubts in the minds of Nigerians regarding the stability and efficiency of risk management in some major commercial banks.<sup>8</sup>

### Fidelity Bank joins list of banks to unfold recapitalisation plans

**Fidelity Bank Plc** on 5 June disclosed plans to raise ₦127.1 billion (\$84.6m) through a public share offer and a rights issue to meet the amended CBN minimum capital requirement for Nigerian banks. CBN 28 March introduced a new policy raising the minimum capital requirements for banks in Nigeria (see *ARC Briefing Nigeria Apr 2024*).

Fidelity Bank is expected to garner ₦97.5 billion (\$65m) from its public offer – selling 10 billion shares of 50 kobo each at ₦9.75 (\$0.006) per share. For the rights issue, existing shareholders who held shares as of 5 January 2024 will be offered the right to buy one new ordinary share for every 10 ordinary shares at ₦9.25 (\$0.006) per share with the hope of generating ₦26.9 billion (\$18m).<sup>9</sup> The application window for the rights issue and public offer opened on 20 June and will close on 19 July.

Fidelity Bank possesses an international operating license and per the CBN capital requirements, is mandated to raise at least ₦500 billion (\$335.5m) over the next two years.<sup>10</sup> The CBN stated on 4 June that it had begun to receive capitalisation plans from some banks and that the documents are in the process of being reviewed. Over the past three months, some Tier 1 banks like **First Bank of Nigeria Limited**, **Access Bank Plc**, **Guaranty Trust Bank Plc**, and **Zenith Bank Plc** announced similar plans to raise funds through holding companies - **FBN Holdings**, **Guaranty Trust Holdings Plc** and **Access Holdings Plc**. This allows them to leverage both local and international capital markets.<sup>11</sup>

While most banks are yet to disclose approaches on how they plan to meet the CBN minimum capital base, it is important to note the impact of the 2005 recapitalisation from ₦1.93 billion (\$1.3m) to ₦25 billion (\$16.6m). This recapitalisation led to a shrinkage in the banking sector as the number of banks fell from 89 to 24 with mergers and acquisitions.<sup>12</sup> However, some banks have expressed optimism about the recent recapitalisation. Cross-border payment company, **Verto's** CEO **Ola Oyetayo** said:

*“Every bank that we've spoken to — we're quite plugged into a few banks — have thought of [the recapitalisation process] as very positive, which is very different from when this happened 20 years ago.”<sup>13</sup>*

Most approaches adopted by the banks mentioned above have focused on rights issues, private placement, issuance of shares, leaving mergers and acquisitions, and upgrades or downgrades of license authorisation options open.<sup>14</sup>

### Labour union strike paralyzes economy

The **Nigeran Labour Congress (NLC)** and the **Trade Union Congress (TUC)** on 3 June embarked on strike action over the proposed minimum wage, their fourth round of strike action since the swearing-in of President **Bola Tinubu** (2023-present).<sup>15</sup> In the early hours of 3 June, there was a countrywide blackout which was at first thought to be a grid collapse until the **Transmission Company of Nigeria (TCN)** put out a statement on social media that the grid was shut down by the trade unions to enforce the strike action.<sup>16</sup> Local flights were cancelled while international flights operated skeletal services by 4 June.

<sup>7</sup> The Cable, 10 June 2024

<sup>8</sup> ICIR, 4 June 2024

<sup>9</sup> Punch, 17 June 2024

<sup>10</sup> Punch, 6 June 2024

<sup>11</sup> This Day, 21 April 2024

<sup>12</sup> The Cable, 30 March 2024

<sup>13</sup> The Banker, 29 April 2024

<sup>14</sup> This Day, 21 April 2024

<sup>15</sup> Premium Times, 4 June 2024

<sup>16</sup> TCN Nigeria X, 3 June 2024

This strike stood out from previous actions called on 2 June 2023, 2 August 2023, and 27 February as it actually materialised. The labour unions' previous calls for strike actions were initially focused on the increase in fuel prices after Tinubu declared in his inaugural speech in May 2023 that *"the fuel subsidy is gone"*.<sup>17</sup> This decision has been linked to the current decline in purchasing power, food shortages, inflation, and devaluation of the currency.<sup>18</sup> However, the previous strike actions did not materialise as the government always reached an agreement with the labour leaders before the strike was meant to commence.

The conclusion by the populace and perhaps the government was that the unions had limited power and no influence, but the unions changed strategy after the electricity tariff hike of nearly 240%. The **Nigerian Electricity Regulatory Commission (NERC)** announced the hike on 3 April which impacted those under the Band A category as their electricity subsidy was removed.<sup>19</sup> Band A customers receive between 20 and 24 hours of electricity supply daily.

The unions demanded a reversal of the tariff. However, during the 1 May Workers' Day celebration, NLC president, **Joe Ajaero**, submitted that the government cannot fix tariffs in a sector that was already deregulated while TUC president, **Festus Osifo**, stated:

*"It is unethical to force Nigerians to pay higher tariffs for non-existent electricity. Estimated billing is an extortion and daylight robbery against Nigerians."*<sup>20</sup>

Debate on the electricity tariff hike led to an escalation in discussions around the proposed minimum wage increase. The federal government on 30 April announced an increase of between 25% - 35% on existing salaries. This would translate to an increase of between N7,500 (\$5) and N10,000 (\$7) for all civil servants, far lower than the union's initial recommendation of ₦615,000 (\$410).<sup>21</sup> The previous wage structure which stood at ₦30,000 (\$20) expired on 18 April and the new increment was supposed to be implemented from 1 May.<sup>22</sup>

The economic paralysis of the latest strike prompted the government to negotiate with the unions to suspend the strike on 5 June and allow for discussions to renegotiate the terms for the new minimum wage. The union leaders are demanding a minimum of ₦250,000 (\$167) while the government representative countered with ₦62,000 (\$42).<sup>23</sup> Failure to reach a consensus may result in another shutdown and widespread protests in the coming weeks.

## Planner

27 Jul 2024 (Nigeria) The **People's Democratic Party (PDP)** to hold a congress to elect new chairmen and other executive members across 23 states

2 Jul – 4 Jul 2024 **Lagos (Nigeria) Power & Water Nigeria Exhibition and Conference 2024**

2 Jul – 4 Jul 2024 **Lagos (Nigeria) IOT West Africa 2024 Conference & Exhibition**

2 Jul 2024 **Abuja (Nigeria) The Nigeria-European Union (EU) Business Forum**

## Chronology

20 Jun 2024 **Abuja (Nigeria) Vanguard**. **First Bank of Nigeria Limited** confirms the appointment of **Olusegun Alebiosu** as the substantive managing director and CEO of the bank;

19 Jun 2024 **Abuja (Nigeria) Ripples Nigeria**. A federal high court in **Abuja** dismisses the fundamental rights enforcement suit filed by fleeing **Malta**-headquartered **Binance Holdings Limited's** executive

<sup>17</sup> Channels, 29 May 2023

<sup>18</sup> Arise News, 17 February 2024

<sup>19</sup> Reuters, 3 April 2024

<sup>20</sup> Punch, 13 May 2024

<sup>21</sup> Daily Trust, 1 May 2024

<sup>22</sup> Channels, 1 May 2024

<sup>23</sup> Arise News, 8 June 2024

**Nadeem Anjarwalla** against the **National Security Adviser** and the **Economic and Financial Crimes Commission**;

19 Jun 2024 **Abuja (Nigeria)** *Punch*. The federal government announces the addition of 17 deep offshore oil blocks to the 2024 licensing round for oil fields;

19 Jun 2024 **Abuja (Nigeria)** *The Cable*. **World Health Organization (WHO)**, **International Organization for Migration (IOM)** and **United Nations International's Children Emergency Fund (UNICEF)** hold an emergency meeting over the cholera outbreak in **Lagos** state;

19 Jun 2024 **Lagos (Nigeria)** *Reuters*. The **Nigeria National Petroleum Corporation (NNPC) Ltd** and **French**-headquartered **TotalEnergies** announce plans to invest \$550m to develop a gas processing facility in southern **Rivers** state to boost exports and domestic supplies;

19 Jun 2024 **Abuja (Nigeria)** *This Day*. **Aiteo Eastern Exploration and Production Company (AEEPCO)** shuts down **Nembe** oil field in **Rivers** state after detecting a leak;

18 Jun 2024 **Abuja (Nigeria)** *This Day*. The **Federal Consumer Competition and Protection Commission (FCCPC)** executive commissioner Dr. **Adamu Abdullahi** says that the commission would begin to sanction open markets, cartels and supermarkets found to engage in price fixing going forward;

18 Jun 2024 **Abuja (Nigeria)** *Arise News*. The **Lagos** police command announces the successful rescue of the three Fouani brothers associated with **Fouani Nigeria Ltd**, who were abducted while returning from their factory in **Apapa** to **Victoria Island** by boat in **Lagos** on 14 June;

17 Jun 2024 **Lagos (Nigeria)** *Daily Trust*. A cholera outbreak in **Lagos** state kills at least 15 people with 350 suspected cases recorded;

15 Jun 2024 **Abuja (Nigeria)** *VOA*. **World Bank** approves a \$2.25 billion loan for Nigeria to shore up revenue and support economic reforms;

15 Jun 2024 **Abuja (Nigeria)** *The East African*. **United States**-headquartered fund management firm **BlackRock** confirms it is selling off its equity investments in emerging and frontier markets, including **Kenya** and **Nigeria**, due to liquidity challenges in these markets and difficulty in repatriating funds;

15 Jun 2024 **Abuja (Nigeria)** *VOA*. Official data indicates annual inflation rose to a 28-year high of 33.95% in May;

14 Jun 2024 **Lagos (Nigeria)** *Financial Times*. The government drops charges of tax evasion against two **Malta**-headquartered **Binance Holding Limited** executives focusing on allegations of unfiled returns and unpaid duty on the company itself;

13 Jun 2024 **Abuja (Nigeria)** *Channels*. The collapse of a mining pit in **Paikoro (Niger State)** kills at least three people;

12 Jun 2024 **Lagos (Nigeria)** *Daily Trust*. Nigeria stands the chance of losing \$27.29 billion in direct and indirect foreign investment over the prolonged delay in the take-off of the **Escravos Seaport Industrial Complex (ESIC)** project;

12 Jun 2024 **Abuja (Nigeria)** *Reuters*. President **Bola Tinubu** says that economic reforms will continue despite increasing hardships that have fuelled public anger and promises to send an executive bill to parliament soon to set a new minimum wage;

11 Jun 2024 **Abuja (Nigeria)** *Bloomberg*. **United Kingdom**-headquartered alcoholic beverage company **Diageo** announces it will sell its stake in **Guinness Nigeria**, becoming the latest multinational to exit Nigeria;

11 Jun 2024 **Abuja (Nigeria)** *Daily Trust*. A coalition of about 30 members of the house of representatives, operating under the banner of 'Reform Minded Lawmakers', announces the sponsorship of a constitution amendment bill for a single six-year term for presidents and governors;

- 11 Jun 2024 **Katsina (Nigeria)** *Daily Post*. Bandits kill at least 50 people during an attack across three villages in Katsina state;
- 11 Jun 2024 **Abuja (Nigeria)** *Business Day*. The **Nigeria National Petroleum Corporation (NNPC) Ltd** signs an agreement with **Bermuda**-headquartered **Golar LNG** to deploy a floating liquefied natural gas (LNG) vessel off the coast of the **Niger Delta**;
- 11 Jun 2024 **Abuja (Nigeria)** *Business Day*. The federal government launches the operations of freight train services from **Dala Inland Dry Port** in **Kano** to **Apapa Port** in **Lagos**;
- 10 Jun 2024 **Abuja (Nigeria)** *Reuters*. **United Kingdom**-headquartered **Amnesty International** accuses the Nigerian army of illegally detaining girls and young women who escape from **Boko Haram** captivity because the military believes they support the insurgent group;
- 7 Jun 2024 **Abuja (Nigeria)** *Africa News*. The federal government announces plans to acquire a maximum of 3.5 million power meters by the end of 2024 in a move to increase revenue collection;
- 7 Jun 2024 **Lagos (Nigeria)** *Daily Trust*. Economic experts and stakeholders in the telecom industry warn that the sector's decline could have far-reaching consequences for Nigeria's economic growth and development;
- 6 Jun 2024 **Abuja (Nigeria)** *Punch*. A bill for the creation of a new state, **Orlu**, in the South-East geopolitical zone of the country passes first reading;
- 4 Jun 2024 **Shiroro (Nigeria)** *Reuters*. Around 30 mining workers are buried following the collapse of a mining pit in **Shiroro** due to heavy rainfall on 3 June;
- 31 May 2024 **Abia (Nigeria)** *Channels*. Gunmen kill five soldiers and six civilians in **Aba (Abia State)** on 30 May;
- 31 May 2024 **Abuja (Nigeria)** *Reuters*. **World Bank** grants Nigeria a \$500m loan for its electricity sector;
- 28 May 2024 **Abuja (Nigeria)** *Business Day*. **Dangote Petroleum Refinery** aims for a dual listing on the **London Stock Exchange (LSE)** and **Lagos Stock Exchange (LSE)**.

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