

REGULATORY TAKE-OVER OF SKYE BANK MANAGEMENT: ONE YEAR AFTER

On July 4, 2016 the Central Bank of Nigeria (CBN) constituted a new board and management for Skye Bank Plc to address its declining prudential ratios and return the bank to sustainable profitability with a mandate to reduce cost to income ratio, improve asset quality, improve liquidity and capital adequacy and restore profitability.

The new team, led by Mr. Muhammad K. Ahmed and Mr. Adetokunbo M Abiru as Chairman and Managing Director/CEO respectively, and composed of other experienced and reputable professionals as executive and non-executive directors, found the institution in a poor state with many of its largest loans non-performing; its capital significantly eroded and liquidity impaired. At the core of the bank's problems was a failure of corporate governance typified by a very high level of non-performing insider-related loans. The funding mix and structure as well as risk asset portfolio mix also signified improper risk management exposing the institution to policy and currency risks. The new management has subsequently discovered significant infractions by previous managers of the institution through careful investigations by management and forensic audits conducted by reputable accounting firms. These infractions have been reported to the appropriate authorities.

In addition to the legacy problems met by the new management, the bank suffered significant deposit attrition as customers, depositors, shareholders and institutional partners panicked at the news of the CBN take-over, compounded by a series of negative campaigns deliberately orchestrated against the institution on social media and other informal channels. The new management successfully arrested and managed the situation and have to a large extent stemmed the tide and reduced deposit loss, restoring customer confidence and stabilizing the institution. The management has also successfully settled many matured trade and bilateral obligations and restructured outstanding balances with the relevant institutions and counterparties.

One of the most important challenges the management addressed relates to the inadequacy of loan security and improper collateral documentation in the legacy portfolio of the bank. The management over the last year has worked assiduously on cleaning up loan and collateral documentation on most of the high value facilities, thus putting the bank in a stronger position to enforce its rights as a lender. As a result of these and other measures, as well as an aggressive loan recovery drive, the bank has recovered over N60billion of outstanding bad loans over the past one year. We have also reached settlement and restructuring agreements with many of the chronic bad debtors resulting in substantially improved payments and prospects of future recoveries.

The management has pursued other initiatives to restructure and reposition the bank based on its mandate including cost management and optimization, and divestments to improve the institution's financial position. Cost management initiatives already implemented include: branch rationalization, review of service contracts and cash management operations all of which have resulted in hundreds of millions of financial savings. Given the financial position of the bank, the management with the authorization of CBN accepted the resignation of the four inherited executive directors. The bank has fully divested from four local subsidiaries releasing total cash value of N6.2billion, and is in the process of divesting from others.

The management is preparing for the future and has appointed a very reputable investment bank as financial advisers for its proposed recapitalization programme. The advisers have identified the various options open to the bank for recapitalization and proposals are being considered by CBN accordingly. The bank has also submitted its 2016 financial accounts to the CBN for approval.

The management of Skye Bank Plc is very appreciative of the gracious support of the CBN by way of guarantees, support, waivers and other forbearances over the course of the last one year which have also been extended by another year. The bank continues to require assistance from CBN and Government as it repairs the damage inflicted on the institution in the past and charts a sustainable path forward for the bank. We continue to be confronted by the antics of detractors who do not wish the bank well in hopes of escaping lawful debt obligations or accountability for past misdeeds. We will ensure that all those who committed infractions against the bank retribute accordingly for their actions and all debtors meet their legitimate obligations to the bank.

The board and management of Skye Bank Plc has been committed and sacrificial, in the public interest, since July 2016 in its efforts to reposition the institution and put it back on the path of sustainable growth. Those efforts have stabilized the bank and restored customer confidence and uninterrupted banking services; resulted in significant loan recoveries and clean-up of the bank's loan book and security documentation; given the bank a more efficient cost profile; and produced accurate financial accounts for the institution. We have also identified clear and viable options for recapitalizing the bank and repositioning it for future growth. We assure all our stakeholders-customers, employees, shareholders, institutional partners and regulators-of our continuing commitment to the success and sustainability of the institution.



Mr. M. K. Ahmad
Chairman



Adetokunbo Abiru
GMD/CEO