

A PRESS CONFERENCE ADDRESSED BY HON. ISAAC ADONGO, MP FOR BOLGATANGA CENTRAL AND RANKING MEMBER ON PARLIAMENT'S FINANCE COMMITTEE.

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**“RESOLVING THE LIQUIDITY AND RECAPITALISATION CHALLENGES OF NIB, OUR NATION’S PRIDE – THE MINORITY’S PERSPECTIVE”.**

Good morning to you, Hon colleagues, Distinguished ladies and Gentlemen of the media, and invited guests present.

We have invited you here for this press briefing to share with the people of Ghana ,through you, our alternative perspectives on how to **RESOLVE THE LIQUIDITY AND RECAPITALISATION CHALLENGES OF NIB BANK FOR GHANA TO COMPLY WITH THE IMF EXTENDED CREDIT FACILITY(EFC) PROGRAM FOR A STRONG FINANCIAL SECTOR.**

Ladies and Gentlemen, I guess we all still remember that between 2017 and 2018, the government of Ghana, acting through the Bank of Ghana, embarked on what it termed the Banking Sector Clean up.

It is trite knowledge that this action resulted in the revocation of licenses of many universal banks and a host of Deposit-taking financial institutions disappearing because of the methods chosen by the governor and his team.

They relied on regulatory provisions of the Banks and specialised deposit-taking institutions Act, 2016 (Act 930), which became operational in April 2017.

The revocation methods used were chaotic and were characterised by high-handedness, fraught with predatory regulatory actions, political biases and were riddled with technical flaws.

The authorities preferred to use overly expensive options rather than the obviously known least cost approaches and preservation regulation methods that proved successful in jurisdictions such as China, Canada, Europe, America and elsewhere.

It was, therefore, not surprising that the financial sector, after enduring the incompetent policies of the new government, left gaping holes and fragilities in the banking sector.

By the end of the exercise, a whopping Gh25 billion had been spent to collapse over 400 financial institutions, leaving in its wake the killing of confidence in the financial sector with a collapse of several of it’s layers and value chain institutions such as savings and loans companies, finance houses, rural and community banks and micro- finance institutions.

Panic withdrawals resulting from the run on financial institutions left most of them with recapitalisation proceeds inadequate to strengthen these banks.

The essence of the failed banking sector clean- up was to emancipate the indigenous banks and financial institutions with a huge dose of regulatory forbearance to keep several non-compliant financial institutions afloat, especially NIB owned by Government that continued to operate from a very deep- hole.

Ladies and Gentlemen, it is instructive to note that every viable and constructive alternative proposals by well- meaning Ghanaians aimed at resolving the problems of NIB to retain and revive a largely systemic Bank were bluntly ignored.

NIB's biggest problem is that it is suffering from capitalization deficit of GHC2.4 billion. However, a casual review of NIB's balance sheet shows that a restructuring of the balance sheet can generate in excess of GHC2.75 billion to wipe of the GHC2.4 billion and leave a free shareholders fund and equity of about GHS350 million towards recapitalization and a total cash injection of GH2.8b. It is therefore puzzling that anybody sitting on this gold mine will attempt to give it out to somebody for peanut.

I wish to state here, that some of the proposals that were ignored are still very important today to remedy the situation.

These include but are not limited to the following :

1. Sale of NIB's 24% shares in Nestle Ghana acquired at Ghc50 million a long time ago, that were given a conservative value of Ghc500million in 2018.This singular proposal would have generated a risk-free cash of Ghc500million to NIB and provided a realised capital gain of Ghc450 million for recapitalisation.Strangely, this was either ignored or lost on Hon. Ken Ofori Atta, who rather opted to take the shares in Nestle and swap it with a Ghc500 million government bond plus a further Ghc800million government debt as deposit for shares. As it turned out, those bonds have since been impaired through the poor conduct of the Finance Minister in the infamous and unending DDEP consistent with IFRS 9.

These actions have clearly weakened NIB further.

Secondly, Mr. Kennedy Ofori Atta's refusal to pay contracts that were executed by clients of NIB with loans has led to an initial amount of Ghc 860 million of NIB'S loans being written off from their books.It is clear that NIB has been intentionally run down by both fiscal and regulatory connivance to produce a prey.

It is, therefore, not surprising that the current IMF ECF program identifies the resolution of the capitalisation challenges of NIB as a key financial sector deliverable.Unfortunately, it appears to many that, Government is only being consistent in its policies with a certain intent to collapse banks and capture them.The strategy has been to find a solution that have the ultimate effect of

collapsing NIB despite its large size, national status and systemic effect it could have, possibly leading to the wiping off of several viable jobs in a country that is struggling to create jobs for its teeming unemployed youths. A country that has created failed policies like NABCO.

Against this background, I wish to draw the attention of Mr. Ken Ofori-Atta, to the legal, technical and regulatory flaws in his intended actions in relation to NIB and to offer some proposals for him to consider in resolving the issues to produce a strong and vibrant NIB, insulate the sector from further systemic haemorrhage and restore confidence in the financial sector, retain jobs and stay compliant with performance obligations to the IMF under the ECF Program.

## **LEGAL REGIME**

Let me first draw Hon Ken Ofori-Atta's attention to the fact that NIB was established by an Act of Parliament called the NATIONAL INVESTMENT BANK Act, 1963 (Act 612) with a clear mandate to help scale up investments and contribute to economic development. As a result, the bank does not operate under the companies code or the new companies Act. Let this be clear to him first.

But as a company whose activities are regulated by the BOG under Act 930, legitimate regulatory actions can be taken against NIB under the Act to place it under Administration (section), revocation of licence (Section) and consequentially place it under receivership (section) to resolve it without regard to the Act establishing it.

It is getting clear that the government, acting through the BOG, does not intend to pursue this path. This leaves Act 612 as the only appropriate legal option for the government's intended action with regards to NIB.

Section 22 of the NIB Act, Act 612 provides guidance on any conduct regarding NIB that has the ultimate effect of liquidation or resolution of NIB, such as acquisition or merger. The liquidation provisions make it clear that any action or actions contemplated with the consequential effect of liquidation of NIB, which action is not in compliance with section 22 of Act 612, is illegal if recourse is not taken to Parliament, and an Act passed by Parliament to that effect and in accordance with directives contained in that Act so passed.

The Act further provides that the Bank shall not be placed in liquidation except pursuant to an Act passed and only in the manner as the Act shall prescribe.

Clearly, Parliament anticipated that circumstances may require that the life of NIB be terminated and requested that it retain the right to prescribe how it dies. Any action of acquisition that we know has the consequences of liquidation. So, without recourse to parliament for a clear mandate, the said actions will not be in the national interest and, therefore, clearly illegal.

Distinguished media personalities here: CONFLICT OF INTEREST is absolutely rife and present here.

The Bank of Ghana through its wholly owned financial investment trust is a majority shareholder of ADB and therefore controls ADB with a view to enhancing its returns to improve its comprehensive performance consolidated financial statements.

I wish to state that the BOG has been extremely complicit in providing its regulatory forbearance to bring NIB to its knees and now in an unethical and opportunistic position to acquire its own regulated entity. So, who watches the watchman or protects the interest of NIB?

It is my considered view that any action relating to NIB that has the potential to benefit BOG is illegal, unethical, and smack of deliberate opportunistic regulatory conduct.

As if the conflict-of-interest issues are not enough, their methods also have TECHNICAL AND WORK FLAWS.

The considered actions of BoG and the government in respect of NIB only add one more puzzle to their technical ineptitude. Unless there is an ulterior motive that I may not be aware of or perhaps something taught to only a group of people in Yale and Harvard Business Schools.

The complexities often introduced into these simple and obviously common- sense finance decisions are mind-boggling. It looks to many that the government and BoG are deliberately making things look more complex than they actually are so they can confuse the average Ghanaian and then loot in the process.

Let's take a look at these scenarios:

1. ADB is owned by the state through BOG (64%), GoG (21%), and GAT (11%) making it a total of 96% ADB with the remaining 4% owned by residual retail investors.

The same state owns NIB. As shareholders of NIB you are being asked to bring more money to recapitalize your bank (NIB) but you say you don't have money to recapitalize it but you turn around to tell one of your banks, ADB, to come and buy your other Bank NIB. Effectively, you are the one using your own money to buy a bank that you already own anyway. So, you collect your own money as consideration for sale of your own bank to yourself and wake up the next morning pretending you no longer own the bank. This needless complexity is a senseless smokescreen for thievery by Government and BoG acting together.

The question is, will ADB operate both ADB and NIB on one street competing against itself as going concerns?

This is the joke of the millennium.

These are people who are not even prepared to learn from their embarrassing national disgrace called CBG which they touted as the second biggest bank by branches when they took about 190 branches from 7 banks in 2018 but now has only 114 branches. Where are the rest, the people who worked there and the livelihoods they supported?

2. An analysis of the risk adjusted capital of ADB per the rules of Base II and III show that ADB has capital adequacy issues akin to Asthma. As for NIB, its problem is well documented, and for the purpose of this illustration, let's call it diabetes.

The wisdom of Ken Ofori-Atta and governor Addison is that, asthma and diabetes be added together to produce a healthy child.

Who does that?

How do you make such a combination without treating them for their individual ailments? Clearly the solution lie in treating them separately, and if you do, they will be so healthy. You don't need to put them together as part of your treatment regime.

#### HERE ARE SOME OF OUR PROPOSED SOLUTIONS

##### 1. Restructure NIB Balance Sheet.

The government should restructure the balance sheet of NIB to swap all NIB debts on its balance sheet owed to the government to equity to release it from the excessive debt burden owed to its owner, the Government.

This includes the following;

a. Government debts in bonds totalling Ghc1.3 billion should be converted to equity to immediately increase the capital of NIB by that amount.

b. Following that, NIB's 24% shares in Nestle Ghana, which were swapped for the Ghc 500 million, should be returned to NIB since value in the new NIB shares issuance would be a consideration for the underlying debts.

c. The Nestle Shares should be valued and sold to free up the cash equivalent to increase the liquidity of NIB.

d. The sale of the NIB shares in Nestle to be returned would lead to a realised capital gain of about Ghc450million. Coupled with the debt Swap of Ghc1.3 billion, the two actions will inject a realised equity of Ghc1.750 billion and cash increases of about Ghc500 million.

##### 2. Fiscal Support

Since 2017, NIB has impaired its loans to the tune of about Ghc1 billion, resulting directly from non payments of certificates raised for contractors and other service providers who took facilities from NIB to execute those contracts. These loans have been deemed nonperforming and accordingly impaired and gone against NIB'S surpluses which are already in the negative spiral drive, according to IFRS 9.

The government should pay these arrears. It will automatically restore these impairments of Ghc1 billion, increase shareholders equity by Ghc2.750 billion, and cash injection of Ghc1.5 billion, making NIB the strongest and most liquid Bank in Ghana.

The bank can sell the resultant bond converted into equity for additional cash of GHC1.3b which will now become investment for the bank. The bank can now generate in excess of GHC2.8b cash.

Whilst I appreciate that Government's fiscal wings have been clipped by the mismanagement of Ghana's fiscal risks in the last few years, the government could aggregate certificates of NIB clients and issue a bond to NIB to cover same.

Any residual capital issues if any at all, should be addressed by assigning some of the proposed Ghc15 billion Financial Stability Fund to BOG's own Financial Investment Trust to invest in NIB instead of passing through the backdoor to give money to ADB to acquire the mother that gave birth to it.

Even in our traditional settings, no man marries the mother because he feels grown up, as big or probably bigger than his mother. It will be an abomination, if not a sacrilege for a son to want to marry his mother.

It is very clear that all the complexity introduced into this arrangement and the continuous deliberate haemorrhage of NIB is the last step towards putting the two banks together to sell to themselves through state capture.

It is obvious that they will offload BoG and GoG shares to themselves under the disguise of a strategy investor.

Unless there are ulterior motives, NIB should not be subjected to this predatory regulatory and Boardroom antics.

WE WISH TO THANK YOU ALL FOR COMING.

IF YOU HAVE ANY QUESTIONS, PLEASE FEEL FREE TO ASK.