TITLE: CREDIT CONTROL IN COMMERCIAL BANKS: A STUDY OF AFRIBANK NIGERIAN PLC

BY

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BEING THESIS PRESENTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION OF AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILMENT FOR THE AWARD OF MASTERS IN BUSINESS ADMINISTRATION. (UNDER THE SUPERVISION OF DR. SHEIKH ABDULLAHI AHMED).

MARCH, 1993.

DEDICATION

This work is dedicated to:

I. To the Almighty Allah, who created man from a small seed and for teaching him what he knows not.

II. To my Parents:

Alhaji Ahmed A. Shiyanbade and Alhaja Maryam Ahmed Shiyanbade for being wonderful parents to all and sundry.

III. To our brother late Adulmumin A. Abdussalam who while being devoted to God and humanity achieved so much within so little and for these and many more shall never be forgotten.

IV. To the Shiyanbades

For being understanding, comforting and reliable uncles, Aunties, Brothers, Siisters, Cousins, Nieces both Seniors and Juniors.

DECLARATION

I hereby declare that this research study was independently carried out by me. And that all materials and ideas got from various sources are duly acknowledged. And to the best of my knowledge, this study is original and has thus not been submitted to any institutition for the award of a degree or any certificate before.

Name: ABDULKADIR ABDULSSALAM AHMED

SIGN: _____ DATE: 22/10/93

CERTIFICATION

This dissertation entitled "Credit control in Commercial Banks: A study of AFRIBANK (NIG) LTD by ABDULKADIR ABDUSSALAM AHMED meets the requirements governing the award of Masters of Business Administration degree of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge.

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Chairman Supervisory Committee

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Head of Department

_____ Date: 19/1/96
Dean Post-graduate School

ACKNOWLEDGEMENT

I hereby acknowledged the fact that all fortunes and misfortunes are ordained by the Almighty Allah towards, this I thank the Almighty and supplicate to him for making the conduct and successful completion of the MBA programme a reality for me.

I also wish to record my everlasting gratitude and appreciation to my supervisor and the Head of Department, Dr. Sheikh Ahmed Abdullahi for his fatherly advice, tolerance and understanding in the course of this study despite his tight schedule and of course the attendant inconveniences, may the Almighty in his infinite mercy rewards him accordingly with his worldly as well as hereafter desires.

My gratitude goes to my colleagues in the class as well as in the office who through constant advice and review of materials contributed to the success of this work. These includes Femi, Nasir, Temi, Aggna, Abdul Rashid, Mr. Paul, Mr. Bode, Malls Baayo Garba, Funmi, Salaudeen, M.J. Abubakar Mall and others too numerous to mention.

This would not be complete without acknowledging the contribution of my immediate family especially Mama, for her tolerance and understanding, Alhajis Abdulkareem, Abdulrazaq, Abdulyakeen, Abdullahi, Abdulfalai, Moh'd Kabir, Dhikrullah, Abdulmajeed, Habeeb, Muzzamil, Kamar, late Abdulmumin and others who are by no means less mportant in the Shiyanbade family

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especially Mrs. Hatsah, Muibat, Kehinde, Tawa and Hadiza Nee Shiyanbade.

My friends were by no means found wanting and to my confidant Alhaji Suleiman Abimbade Lawal, to Suraj, Abdul Rauf, Abdul Azeem, Abbas, Abdullateef, Idris, Ibrahim and lately Mohammed, and Abdulsamad and those unmentioned but whose contribution is by no means diminished, I say thank you very much, no word can ever express my gratitude and appreciation. To Dr. K.A. Bello, my gratitude for a neat and good typing. May Almighty Allah reward them all with their earthly and hereafter desires (Amen).

To Dr. (Mrs) Joan Nwasike, I thank you for your believe and trust in me before the course and your inspiration during the course.

Towards this I pray the Almighty Allah to bless you all and may you all remain ever blessed n your endeavours.

ABSTRACT

Banking activites consistB of functions that varies in both performance and risk, the risk that a banker generally faces are either of non-performance by those that are supposed to or that of having a run i.e, cash shortage which can n some cases be avoided through a prudent management of the resources available.

The other risk is that of non-performance, i.e. those granted loans refusing or not being able to meet the conditions subsequent to the loan already granted. It is the aim of this study to examine how these loans are being granted and the measures involved in collecting or retrieving the said loans or advances granted.

Chapter one looks at the importance of lending in a banker's normal activities, the position and of course the desire of the banker were both enumerated in the chapter. Chapter two discusses the relevant topic as discussed in available literature and of course the opinions of leading financial experts on the topic under discussion were perused, enumerated and analysed in line with the stated objective of the study.

Chapter three discussed the evolution of modern commercial banking in Nigeria uptill the later part of the 20th century, types of loans available in Nigerian commercial banks were also noted as well as the traditional functions of a commercial bank as specified in the banking act.

Chapter four contains tbe data **that were** gathered in the course of the study and of course their analysis. The study looks at what is being practiced vis-a-vis what are contained in the books. Chapter five summarises the findings of the study and conclusions were reached and appropriate recommendations aimed at improving the shortcomings of the bank were proffered and thus if followed, could go a long way towards improving the services of the bank.

CHAPTER ONE - INTRODUCTION

1.1 INTRODUCTION

The development and indeed growth of a modern economy to a large extent depends on not only the width but also the depth of it's financial industry. Commercial Banks due to their functions happens to possess the most powerful resources than any other industry or sector in the economy both in value and of course volume, because they are charged with the responsibility of creating more and more money for the utilisation of those within the economy.

One of the main functions of the banking ndustry is the creation of funds for those that are in need but in deficit and destruction or investing same for those that are in surplus. These two divergent but convergent function has to be done in such a way that the objective and policies of the concerned institutions would be achieved and further enhanced.

Creation of money does not necessarily implied that some kind of manufacturing activities has to be undertaken before this can be done but that the bank collects surplus from it's customers as deposits into their various accounts and the bank in turn makes these funds available as loans to those in deficit with a condition of future payment with a stated date at, or before, a given date.

It is worthwhile to note here that a bank does not just make available the surplus to all and sundry on application rather there are laid down rules and procedures governing this function and of course the retrieval of the funds from the debtors as and when due. This of course, has to be done in such a way that neither the two institutions (bank and the debtor(s)) nor the economy suffers either by withholding credit or haphazard extension of credit which would lead to over-expansion in the economy. This is one of the main reason why the Government through the central bank tries or rather attempts controlling this function of the Commercial Banks more than any other function.

Thus, credit policy encompasses the credit analysis, approving, fund disbursement and loans monitoring to ensure repayment of not only the principal but also the accompanied rate. In other words, credit control refers to the credit appraisal and administration in a bank.

1.2 STATEMENT OF THE PROBLEM

Lending, with it's high attendant risks, generates the greater part of a bank's revenue and thus their profit.

Lending if properly administered would form the catalyst for economy growth and development.

Banks, most especially, government-owned are now operating under strict and uncomfortable circumstance due to introduction of the prudential guideliness.

1.3 OBJECTIVES OF THE STUDY

It is the objective of this study to critically examine the lending policy of the Commercial Banks with the sole aim of identifying lapses if any and to recommend solution(s) to such.

There is also the need to specialise on a specific bank instead of generalising, this would further gives one the idea of the concerned bank's internal working system.

It is also the aim of this study given the internal structure of AFRIBANK and the various rules governing the credit function, determine the success or otherwise of the bank as well as the level of efficiency in it's performance.

It is also hoped that this study would be found adequate as a reference and useful in the field of "Credit and Lending Policies in Nigerian Commercial Banks and AFRIBANK especially which are though in demand but short in academic curriculum.

1.4 HYPOTHESIS OF THE STUDY

Despite the laid down procedures and rules governing credit appraisal and approval by the central bank and individual bank's own specific and stated rules, commercial banks don't perform as expected.

Loans are times granted not because such credit meets the requirements of the bank or that of the central bank but rather due to personal ties with those that be in the bank.

Lending forms a source of greater part of bank's revenue and thus their profit and lending is a factor of the bad and doubtful debt in a bank.

1.5 SCOPE OF THE STUDY

This study is limited to only AFRIBANK (NIG) LTD, hence, the work is entitled "Credit Control in Commercial Banks, a study of AFRIBANK (NIG) LTD", and research work were carried out in three banches of the bank, i.e Zaria, Kaduna South and Abuja Main Branches.

Those in the credit department as well as those with credit granting authority forms the larger part of those that were intervewed and observed for the purpose of this study.

Emphasis was placed on the kind of credit granted, why and how they are granted and repaid. The researcher also deems it fit to sample as much as three branches in order to eliminate those features that are inherent in each branch given that branch's circumstances so as to arrive at an objective conclusion.

Like most work of this nature, time and finance poses as constraints but nonetheless the study was conducted and completed in record time with satisfactions though literature on the subject are relatively scarce, I believe therefore, this would serve to be a valuable reference on this subject.

1.4 RESEARCH METHOD

The methods used were interview and observation. Because the need to protect respondents is paramounts, the researcher deems it fit not to commit anybody in writing, thus, these two methods provides both the researcher and the respondents the opportunity to express feeling and opinions that would otherwise not be stated.

It also affords the researcher the chance to communicate one-on-one with each respondent and consequently observe other body languages which would have been utterly impossible otherwise.

Questionnaire was discouraged due to the sensitivity of the topic, for it tends to lay bare the essential functions of the bank, second, most of the respondents were reluctant in answering the questionnaires. And personally, the researcher believes that questionnaires tend to be restrictive for this kind of study moreover answers, atimes vague, would only be provided to questions asked, it does not afford one the opportunity to express oneself further due to atimes space or time constrain.

The researcher also perused existing literatures on banks, (AFRIBANK in particular), lending policies and credit administration as well as financial journals and reviews.

1.7 DEFINITION OF CONCEPTS

In order to appreciate this study, there is the need to define those words that were frequently used in this study.

(i) Credit: Refers to making available to someone goods or value now in return for a promise to repay the exact or higher goods or value at a later date.

(ii) Creditor: The person or institution that is granting the credit in good or value to the other party.

(iii) Collateral: This refers to a valuable that is pledged against the non-performance of the creditor, in most cases, Asset are used as collateral and in rare cases insurance policy.

(iv) Debtor: The party or instituton to which the credit is granted in goods or value.

(v) Bad and Doutfu Debts: Refers to a matured debt that for one reason or the other has not been made good y the debtor ether in principal or rates or both.

(vi) Default: Refers to the inability of the debtor to repay the loan collected from the creditor (bank).

CHAPTER TWO - LITERATURE REVIEW

2.1 INTRODUCTION

The basis of any credit system rests upon good faith of those who trade upon their credit, credit itself is derived from the Latin word, "Credo" which means believe or trust. The fact that good faith is general rather than exceptional does not detract the importance of a close scrutiny of those occasional instances where good faith is lacking. The creditor has a dual responsibility, the need to search for and avoid dishonest debtors and the second is to protect the prospective debtor as well as himself from the debtor's imprudence.

Thus credit analysis is conducted to determine whether the prospective debtor is acting in good faith or whether he is misjudging hs financial position and therefore his ability to pay his debts. Hence a deficiency in one or two of 5c's of credit may still accord one the required loan if off-setted by an excess in another except of course if the deciency is that of character which can never be off-set by either capacity, condition, capital or the co-signors excesses.

But it should not be assumed that there is a rigid standard by which a risk is appraised as acceptable or unacceptable. Each credit analyst fixes his own standard, and the standard of a single concern may be quite elastic, nor should it be assumed that each of the factors be considered in isolation. All the

factors may be appraised as one and at the same time. The requirement is that all the factors should measure up to the required standard.

2.2 FACTORS OF CREDIT RISK

A credit risk has a value and this depends on the following:

2.2.1 CHARACTER

Credit analysts place emphasis on character when considering the factor essential to satisfactory risk. Character is defined as a moral endowment incapable of doing more than directing the force in capacity and capital to redeem a credit obligations. Character is thus, an intangible possession which may be easily stimulated while the credit analyst seeks to appraise character, what he usually ends up investigation is in reality reputaton because character is within the man himself while reputation is in the mind of others.

But appraisal of character is difficult because it does not possess any unit of measurement, hence we can only describe it as being high or low. Thus lack of character may signifies an intention to defraud the creditor because this shows lack of willingness to repay credit applications and determination to repay.

Though it is true that in the event of default, the creditor may have recourse to law to exert repayment, credit men have

found to their dismay that the cost of litigation may be prohibitive, thus, the guiding principle is not to deal with rascals.

2.2.2 CAPACITY

This refers to the ability of the debtor to repay his credit, the amount of capacity to a large extent is determined by his ability to hold or possess fund with which to repay his loan and can be influenced by the debtor's willingness to repay, i.e., character.

Therefore, the prospective debtor is evaluated as to whether he has the capacity to collect the credit and of course the capacity or abilty to repay the said loan granted as and when due.

2.2.3 CAPITAL

This involves the quantity of resources that are at the debtor's disposal. That is, the extent and form of his present and prospective assets to ensure repayments either before or at maturity.

It should be noted that a debtor's initial capital in a project, to a credit analyst, signifies willingness to repay, since it is logical that such a debtor would do all within his means to make a success of the project or at least recoup his capital.

2.2.4 CONDITION

Refers to the extent to which a debtor maybe aided or hindered by business condition in converting his assets into cash or making a success of his project before the maturity of the debt. This condition is not only restricted to the business itself but also meant to encompass prevailing economic conditions since a given that a business concern is only a unit in the whole system.

2.2.5 COLLATERAL

This involves a valuable assets that the debtor pledges against non-repayment of the credit. Collateral maybe in either a guarantor(s) or as in most cases a valuable assets that can easily be disposed of through sale or auction in order to off-set the loan.

2.3 LENDING POLICIES

Credit forms one of the most important activity out of an average commercial bank's seven activities. A colossal sum of an average commercial bank's assets are in credit grants. Thus, there is the need to formulate a sound and stable lending policies if the bank should achieve one of it's main objectives.

Grosse (1963) believes that a well conceived lending policies and prudent credit practices would contribute to an effective and efficient performance in credit as well as minimise or eliminate the risk inherent in any credit. It is important to note that

apart from a bank's lending policies which should be subjected to periodcal review, a credit analyst is expected to evolve a system which should complement the general rules and guideliness of the bank.

There are instances where the number and type of loans required to some extent spelt out some other factors that must be considered apart from those that have been laid down by the bank. It is noteworthy to mention that an analyst must seek the legitimacy of the loan being sought, i.e, whether the need is genuine or not. The prospective debtor's well-being, the communities growth and stability are the basis for and a credit's legitimacy, where such a loan would prove unfortunate to the community and the debtor, then such loan has no legitimacy. Moreover, the banker is expected to be conversant enough with the community that he be ale to determine the extent and kind of loan that those in the community would desire. Thus what should determine legitimacy of the credit should be the genuinety of the prospective debtor's needs for credit and the bank's ability to meet those needs rather than a pre-conceived idea(s) or personal relationship.

The second aspect in lending policies is payment. Credit, defined functionally, is making available surplus capital to those in deficit with a pledge to repay at a future date with a stated rate, hence it is refers to as life-blood of the economy. Thus, a credit that ceases to flow is said to be non-performing,

hence, the need to ensure that all loans granted are repaid as and when due and this is only possible if the bank investigates the project being financed and mapped out plan not only for the execution and disursement of the fund but also the performance and repayment of the fund granted however secured the loan might be.

Another aspect that the banks should concern themselves with is the prudent utilisation of the credit. Instances abound where the loan granted are diverted to areas that were not disclosed to the bank. Thus, the bank ought to participate in direct financing in cases where the credit is meant for project financing as is the case in most instances.

The bank should, as earlier on mentioned, spelt out the schedule of all credit granted, if the bank is to make a success out of it's credit granting function because according to Pius Okadigbo, (1981) loans and advances in Nigeria are treated almost like a grant by the customers since with the collusion of the staff and a purposely inefficient book-keeping the bank will not press it's claims when the credit are due.

2.4 APPRAISAL TECHNIQUES

Banks are known to possess funds that are in excess of their capital, these excesses are primarily from deposits and this enables them to lend out these excesses to those that are in need of funds. As earlier on mentioned, bank's activity is largely

concerned with the creation and management of credit or debt instrument. Since banks are highly geared lenders, Donaldson (1979) is of the opinion that commercial banks attitude to risk and risk control becomes condition because a loss of a small percentage of it's loan can wipe out it's capital.

In order to effectively and efficiently perform this function, the banks have realised that customer's trust is of importance. Thus, confidence in the character of a customer is a vital criteria in appraising a loan. According to Dr. Neil V. Sunderland (1974) most banks concerned themselves with the expected future earning of the applicant in granting the loan. Though some of the loans are not repaid but are consistently renewed despite their high future earnings indicatition. This is because funds taken for short term are ended up being used for long term iinvestment, thus, the maturity date are in most cases insufficient for the project that was signified to the bank.

A loan that was granted without proper monitoring or supervision is liable to default and in order to prudently do this, an application should from the initial stage be screened and investgated to reveal the viability, source of repayment, the ability and quantity of such source and other credt factors. A loan that is badly appraised cannot be adequately monitored.

The credit analyst is also expected to appraise most importantly the other credit factors earlier on mentioned, these should be considered in isolation of one another but together.

As earlier on pointed out lack of trust on the customer gives the bank the right to discard any proposition. According to Elliot (1989) any factor in the past conduct of an applicant that have caused a banker to doubt the integrity of the customer can trigger an alarm in the mind of the banker.

Capability of the applicant should be considered, that is, whether he possesses the expertise and machinery to execute the project that the loan was intended for and this consequently leads to purpose for which the loan is being required which should also attract the attention of the credit analyst. He should ensure that the loan is not meant for speculative but rather a prudential and legal investment.

The credit analyst must be versatile so that he would be able to determine the extent of the fund needed for the required project and the loan should be scheduled in such a way that neither the bank nor the customer would eventually be harmed in any way and this schedule comprises of the mode and time of repayment, utilisation etc so that the need to resort to forced sale of collateral won't arise.

The bank should also appraised the security pledged against the loan, and in doing this, the bank should accept only securities whose value is over and above the value of the loan, i.e, it is better to be over-secured than undersecured.

The condition of the business concern should also be of importance to the credit analyst, thus, a credit analyst should

be able to collect information and date about any particular sector within the economy so that the future performance of that firm can be ascertained vis-a-vis the performance of it's own industry and the factors that are considered mostly are:

(i)	Past performance	(Balance Sheets)
(ii)	Expertise	(Human and Material Resources)
(iii)	Finance	(Costs and Expenses)
(iv)	Future Performance	(Proforma Balance Sheet)
(v)	Risks involved	(Economic Condition and Charater) of applicant.

2.5 MONITORING LOAN PORTFOLIO

The need to monitor loans granted by banks cannot be over emphasised as realised by banks if the utltimate aim of lending is to be achieved, i.e, to repay as and when due. This can be done ether by concentration of portfolio, geographically, by industry or any other method that has some implications for the banks treasury and are also vital credit factors. Though it is far better and objective to evolve a form of rating system which makes t possible to analyse and evaluate the performance of a specific portfolio.

All commercial banks use external Auditors and Examiners or bank inspectors as an independent check. Reuben (1991) identified three possible methods advanced by Donaldson (1979) with which to monitor loan portfolio and these are:

2.5.1 CONTINUING QUALITY CONTROL

This involves constant quality controls wthin each branch at Head Office. The continous review maybe made by the general management of the bank either in the form of a credit committee or by continuous review by branch managers.

There should also exist a specialist who surveys and reports on the quality of the lending, the quality of the individual loans, the authorities in each case and effective co-operation within the department. He is expected to do a detailed job, identify and follow problems, and supervise the loan.

2.5.2 LOAN DEPARTMENT

This refers to establishing a loan audit department with a reporting authority directly to the senior manager through the controller or Accountant. The audit may include full analysis of some of the borrowers but more often reviews the quality of the analysis done before the loans were made.

2.5.3 INSPECTION

This is similar to audit department but is characterised by a team usually of line bankers that inspects all branches and Head Office divisions on periodic basis. Each inspection is usually carriied out as a surprise examination with no set interval or warning. They, more often, examine the documentation of loans, controlling the follow-up of payments or

collateral. They appear more interested with laid procedures of banking activity and lending just happen to be one of them rather than whether subsequent check have been made on any loan.

2.6 FINANCIAL CONVENANT AND RATIOS

Ths involves the use of historical information of a particular firm to determine, analysed and forecast the performance of that firm in relation to the loan being sought. And this should be with the co-operation of the borrower with both parties agreeing to what the customer expects to do and why and what degree of deterioration is more than a normal fluctuation.

It should be noted that the purpose of these clauses is not to enable the bank control the borrower or with very limited exception to veto but certainly the right of veto may arise only where a change threatens to weaken the banker's position. Thus convenants are intended to give the bank the right to discuss rather than veto.

As earlier on mentioned, apart from a bank's specific regulations and lending policies, a credit analyst is expected to evolve a personal rating system giving the circumstance of the applicant as well as the amount and the project the loan is being sought. Some have suggested the use of mathematical rating formulas which could assist a credit manager in his function. The procedure, according to Reuben (1991) is to identify certain

factors relevant to the applicant and the loan, these are rated and valued in percentages which are then used against the loan being sought. An example by Dr. Neil (1974) can be seen below.

Factors	Value in percentage
Character	30
Attitude	15
Ability to pay	15
Prospect for the future	12
Business history	10
Ratio of value of property to income	7
Ratio of monthly/periodical mortgage payment	6
Associates	5
Total	100%

A passing grade is then determined depending upon the discretion of the credit managers. It should be noted this exclude the consideration of the Five C's of credit by a credit analyst, the exercise is thus considered with a lot of pessimism because it is misleading since it attempts to provide numerical precision in an imprecise matter.

Therefore, according to Seder (1977), the best credit risk is a solid, stable, responsible customer who is concentious about keeping his committments and promises, who has a life style that is characterised by sense of duty, integrity and steadfastness,

i.e, a person who promises no more than he can deliver and who delivers what he has promised. A person who is known, who has been around for sometime and will be around for a good while longer.

Furthermore, Reuben (1991) is of the view that stability and continuity of business and indeed of personal habits are desirable. Thus an applicant that constantly revised his business should not be taken seriously. Stability, responsibility and predictability have been posted by Seder (1977) as the characteristics of a good credit risk while flamboyance, uninhibited behaviour, excitement, impulsive behaviour, unpredictability and rash behaviour constitute the mark of a poor credit risk.

CHAPTER THREE - COMMERCIAL BANKING IN NIGERIA

3.1 INTRODUCTION

Modern Commercial Banking dates back to the early colonial period. The activities of the transnational corporations, the financial transactions of the colonial government, the decline of the barter system of trade and the increasing acceptance of British Silver Currency and other reasons prompted the authority to invite in 1882. The African Banking Corporation based in South Africa to open a branch office in Lagos.

The African Banking Corporation was therefore the first modern commercial bank to open a branch in Lagos but it's existence was made precarious by the trade recession that hit Lagos that year. The bank was taken over by Elder Dempster and Company which ran it as a private bank until December 1892 when the bank of Brtish West Africa (now known as First Bank) was organised and registered in London with an authorised capital of £100,000.00.

The bank of British West Africa opened t's first branch in Lagos in 1894. Five years later the Paiges trading firms in Eastern Nigeria under the leadership of the Royal Niger Company established the bank of Nigeria. Though this was absorbed by the Bank of British West Africa in 1912.

The bank virtually monopolised all banking activities in Nigeria up till 1916 when the colonial bank came into the scene

and within 4 years had established 15 branches in West Africa. This bank was later taken over by Barclays Bank in 1825 to form, together wth the Anglo-Egyptian Bank and the National Bank of South Africa, the new Barclays Bank. United Bank for Africa also joined the race, and these three, foreign though, between them dominate the banking industry in Nigeria and in 1959 were joined by IBWA and alongside the other existing banks provides banking services to Nigerian businessmen.

Before the advent of IBWA, efforts were made by Nigerian businessmen to establish their own indigenious banks, for according to them the expartriate banks have not been particularly interested in gving them the assistance they normally require to promote their business. The first effort was the establishment in Lagos of the Industrial and Commercial bank in 1929 which, due to inadequate capital, inexperienced bank management and accounting as well as the depressing economy prevailing then, went into liquidation in 1930. The Nigerian Merchant Bank which was formed in 1931 by the same management suffered losses until 1935 when it went nto self-liquidation.

Successful indigenous banking effort in Nigeria began with the establishment of the National Bank of Nigeria in 1933 with a nominal capital of #20,000.00. The success of National Bank of Nigeria and the continuing need to provide bank credit to indigenous enterprises and the buoyancy of economic conditions during the post-war years encouraged others to establish indigenous banks.

To this end, the Nigerian Farmers' and Commercial Bank was incorporated in 1947 with an authorised captal of #60,000.00. This was followed by the establishment in 1948 of the African Continental Bank and the Pan Nigeria Bank in 1951 by indigenous businessmen.

3.2 FUNCTIONS OF A COMMERCIAL BANK

Commercial banks, world over, were formerly restricted to two main functions, which, according to Ettiner and Gollier (1962) are:

(i) To advance funds on the basis of loan, and

(ii) To receive deposits for safe-keeping and consequently maintain savings, fixed or current account for their customers.

But modern bankings have been known to veer into more risky and treacherous terrain than obtained in recent past. Even the Federal government has compelled them to wade into these murky areas that needs so much financing which unfortunately the banks were running away from.

Banks are now known to be engaged in providing facilities for transfer of funds, Estate Management, Oil Prospecting, advising in insurance matters, safe keeping of valuable, brokerage services, provision of night safe facilities, off-shore financing, merchant banking etc. which to a large extent have made some banks great but has inarguably made them all the more important.

However, it must be emphasised that a greater percentage of bank's resources exposure are in loan account which in most cases are for one year and in some rare instances five years.

3.3 TYPES OF LOANS

The traditional theory holds that commercial banks should be limited to making loans for short periods to provide temporary working capital to finance current operations (R.G. Thomas 1977). However, this type of loans fall short of customers demand coupled with other lucrative investments, banks have generally adopts a more aggressive and positive practice of embarking on wide and varied loan program.

Therefore, banks have been classified into various forms based on the purpose of the loan. These classes are:

(i) Loans to business (Commercial and Industrial Enterprises)

(ii) Loans to Agriculture

(iii) Loans for purchasing and carrying securities

(iv) Loans on real Estate Mortgages

(v) Customer loans,

(vi) Other loans.

These loans are categorised into two classes, i.e., secured and unsecured loans. Secured loans are those where the bank obtains some protection over and above that afforded by the debtor's signature on the note. The securities may consist of Pledged Securities, Warehouse, receipts, lieu on equipment and

other chattels or title thereto, real Eastate mortgage and assignment of receivables and future income from investment.

Whiile unsecured loans are those granted without the pledge of any security as collateral. These are usually granted to reputable customers who possessee sufficient character, capacity, and opportunity for profitable operations to justify the loan and in most cases this is largely due to lack of commodity that can be conveniently pledged. It is note worthy to mention that most banks prefer the secured loan for this gives them an edge when it comes to retrieval.

CHAPTER FOUR: HISTORICAL BACKGROUND AND DATA ANALYSIS

4.1 HISTORICAL BACKGROUND - AFRIBANK

AFRIBANK received banking licence on October 20, 1959 and opened it's first branch in the city of Kano on January 4, 1960. It was then known as Banque Internationale Pour L' Afrique Occidentale (BIAO).

The origin of BIAO dates back to around 1853 when the bank was first established in Senegal, it was then known as Banque du Senegal. Later, this was changed to Banque Pour L' Afrique Occidentale (BAO). The word "internationale" was added later when the Bank's ownership included the First National City Bank.

(BAO) was one of the fiirst banks to set up shop in West Africa. At a point, the Bank's activities in the area were so pervading that it was given the authority to issue currency notes (a Central Bank Function) in the French Speaking West African Countries. IBWA/AFRIBANK was established as a subsidiary of BIAO.

In compliance with the Federal Government's orders, the Bank's Headquarters was in 1960 set up at 94, Broad Street Lagos. It has remained there till today. The establishment of IBWA/AFRIBANK coincided with the emergence of the country's oil industry. The bank developed links with some oil companies and this prompted the establishment of two more branches in Port Harcourt and Aba just before the outbreak of the civil War in

1967. With the promulgation of the Nigerian Companies Decree in 1968, it became imperative for all firms operating in Nigeria to be incorporated as Nigerian Companies. On May 30, 1969, BIAO was incorporated in the country as a limited liability company under the name International Bank for West Africa (IBWA) the English equivalent of BIAO.

On account of indegenisation, the Federal Military Government in 1976 acquired 60 percent of the equity structure and this left BIAO with 40% of the IBWA/AFRIBANK equity capital. By December 1976, the bank got her share increased from #3.6 million to #6 million. In 1971, the bank got her first Nigerian Chairman in the person of Alhaji T. Galadima. That same year, BIAO herself experenced changes in her own equity structure. The Union Bank of Switzerland bought over 20% of BIAO equity capital, held at the time by Citibank N.A.A percentage of the 20% of BIAO's remaining share was taken up by Banco da Brazil, while the remaining was bought by the "Compagnce Internationale Africaine de Banque Holdny S.A. Luxerhbourg".

The year 1979 saw the paid-up capital of IBWA/AFRIBANK increasing to #15 million, also that year saw for the first the appointment of a Nigerian as the bank's Managing Drector in the person of Mr. O.O. Olashore (Current Secretary of Finance in the Transitional Council). In 1980, the Federal Government gave up 10% of her equity holding in the bank to staff. Two years later, the bank adopted AFRIBANK as her sub-name and finally changed

it's name to AFRIBANK NIGERIA LIMITED with effect from January, 1, 1990.

Over the years, AFRIBANK has grown into a group currently made up of:

(i) AFRIBANK (NIG) LTD:

This is the parent company of the group, it performs the role of a holding company for the group in addition to it's main activity as a commercial bank.

(ii) AFRIBANK INTERNATIONAL LIMITED (Marchant Bankers):

The establishment of the bank makes AFRIBANK (NIG) LTD the first Nigeran Bank to own and run a wholly-owned banking subsidiary. It received it's banking licence in March 1990 to provide investment and Merchant Banking Services in the areas of corporate Finance, Funds Management, equipment leasing, Financial Advisory and internationally banking among others.

(iii) AFRIBANK INSURANCE BROKERS:

The emergence of this firm makes the banks the first to establish it's own insurance brokerage company, though it's services are strictly reserved for AFRIBANK's customers and in-house requirements.

(iv) AFRIBANK ESTATES LIMITED:

This company caters for the real Estate and Security needs of the group.

(v) IBWA FINANCE COMPANY DUBLIN:

This is a full-fledged off-shore finance company set-up by AFRIBANK (NIG) LTD as an operating company in Dublin, Republic of Ireland. This forms part of a strategy in value - added diversification.

4.2 ADMINISTRATIVE PROCEDURES

There are seven departments that can be identified at an average AFRIBANK branch and each is headed by an officer in that branch, these departments are:

(i) Cash

(ii) Clearing

(iii) Transfers

(iv) Forex

(v) Bills and Letter of Credit

(vi) Accounts

(vii) Credit.

The Head of the Credit department is the credit officer who in most cases liases between the bank and the customer.

Credit controls as observed in AFRIBANK as a tool of granting and monitoring credit facilities ensures that the credit is and remain satisfactory in terms of quality and administration. In the bank, there are three levels of Credit Control namely:

(i) Branch

(ii) Area Office

(iii) Head Office.

(i) Branch Level: The manager of a branch usually adopts any or combination of the following.

(a) A customer's financal statement regularly obtained, analysed and compared with previous audited or management a/cs.

(b) A study of customer's operation of his current account. This will reveal any sign of weakness if any.

(c) Securities are checked to ensure that all terms and condition as stipulated are met and all perfection, Renewals of Insurance Policies and Payment to authorities are up-to-date.

(d) Branch Managers also ensures that all records are kept up-to-date such as credit information cards, credit files, risk cards etc.

(e) While ledger cards or computer print-outs are daily studies in order to see the customer's development.

(ii) AREA OFFICE/HEAD OFFICE

The instruments of control at the Area and Head Offices are limited to statistics on 1096 (see appendix) as to, returns sent fortnightly, monthly and or quarterly from branches.

(a) Engagement Returns: These are sent to Area and Head Office for purposes of monitoring bank's commitment to each customer by various types of facilities in each month and to facilitate CBN returns.

(b) Doubtful Debtors Retunrs: These are completed quarterly.

(c) Other returns include unauthorised credits, unpaid instalments, rejected credits and classified accounts follow-up.

(d) Quarterly credit Review: This is the most comprehensive credit jointly applied by the Head Office (Branches dept jointly with legal and control departments) and the area office to assess the status of credits outstanding and decide on what step to be taken as regard any particular account i.e. either to reclassified upwards or downwards with interest to be reserved or principal to be provisioned.

4.3 CREDIT ADMINISTRATION

This is concerned wiith implementation of credit decisions as authorised by the deciding authority. This involves advising and monitoring the facility on day-to-day basiis.

4.3.1 Documentation

Each borrowing and lending relationship starts with the customer's application. Each credit department maintains a registration of application which shows:

(i) Date received

(ii) Customer's name

(iii) Type of facility required

(iv) Amount of facility applied for

(v) Deciding Authority

(vi) Office/Head Office

Replies are sent for all credit received even where rejected and a record kept.

4.3.2 Advising

When a customer's application for facility is approved, he is advised in writing and this serves as a letter of offer and the acceptance is signified by the customer's signature on the duplicate of the letter.

The letter contains the following and of course exclude the deciding authority;

(i) Amount of facility in words and figures

(ii) Purpose for which the facilities are approved

(iii) Special conditons e.g rate of loan, repayment and reversion of overdraft to credit.

(iv) Interest rate: Since prime is bound to change with the changes in the CBN approved rates, this is mostly expressed as prime.

(v) Expiry of facility (month and year)

(vi) Security, the type accepted must be clearly stated.

(vii) Exchange control requirements to be fulfilled when applicable.

(viii) Conditions precedent or subsequent to release of facilities must be clearly stated.

4.3.3 Credit Files

Credit Files with customer's account are opened at once. These are maintained and contained copies of all correpondence with the customer and 1096 approved or rejected.

4.4 PROCEDURES FOR CREDIT DECISION

Credit limits of individual officers are reviewed from time to time according to the banks. These limits are personal and cannot be delegated. Appointment or posting does not automatically give an officer the right of the incumbent of that position.

All facilities must be approved by at least 2 signatures including final signature for the applicable amounts.

All limits in excess of the Area Manager's limit (and thus a branch manager and Credit Officer) is marked H/O under deciding Authority Column.

DECIDING AUTHORITY	CLASS I	CLASS II
EXEC. COMMITTE	CREDIT 6,000,000	3,000,000
BOARD OF DIRECTORS	ABOVE 6,000,000	Above 3,000,000

In AFRIBANK, the three tier of credit control has their various limits and authorisation in a situation where the facility being sought exceed one's limitation, such application is quickly forwarded to the appropriate quarter. An average officer in AFRIBANK has the authority to grant not more than #30,000 while a manager or his equivalent grants range between #70,000 to #150,000.

The highest credit granting authority is the Executive Committee on credit consisting of 23 members and is made up of 2 senior Asst. Gen. Managers, the 7 Area Managers, a General Manager, and the Area Credit Officer, Agric, Legal and Recovery Officers and their equivalent at banch level including the Manager of the branch whose facility is being considered, the committee is headed by the General Manager/Executive Director Banking Operation.

4.5 LOANS AND ADVANCES

The bank, among other, grants the following to its customers.

1. OVERDRAFT

This is the simplest and most common form of credit facility. The customer is given a limit within which his account may be overdrawn. This may be advised (.e the customer is aware of being granted the facility) and unadvised (i.e a limit is set up for internal guidance only but the customer is not aware of it).

This is mostly granted for working capital purposes and the amount granted is expected to fluctuate over the life of the facility depending on the customer's needs at a given time. This is reviewed annually and is payable on demand and can be cancelled without prior notice. A customer's statement of Accounts and application for credit facilities constitute evidence of indebtedness to the bank.

4.5.2 ADVANCE

This is a short-term loan extended to a customer for a purpose and for a definite period usually 30-180 days. This is normally granted for specific consideration, e.g payment of school fees, settlement of medical bills, bridging finance etc.

This comes with low interest charge since the bank knows the exact maturity of the advance and can plan its funding accordingly.

4.5.3 MEDIUM TERM LOAN

This is generally granted for a single purpose such as investments, equipment financing, housing, purchase of share and so on. Because of the purpose, the duration is generally longer than that of overdraft and ranges between 1 and 5 years.

Loan with longer maturity (except staff housing loans) is normally not granted by the bank since this can easily be obtained from specialised long-term credit banks or institutions such as bank of commerce and industry, Mortgage, Industrial Development and Merchant banks.

Any loan must be supported by a "LOan Agreement" with the customer, outlining the term and conditions of the loan. The Agreement invariably contain the following.

(i)	Amount	(vi)	Conditions precedent
(ii)	Tenor	(vii)	Events of default/Acceleration
(iii)	Repayment schedule		clause
(iv)	Interest Rate	(viii)	Convenants
(v)	Security/Guarantee	(ix)	Expenses and Fees.

Although not esential, it is deemed wise to have the customer execute a series of promisory notes corresponding with each payment date. This will facilitate practical and legal enforcement of the payment.

4.5.4 LONG TERM LOAN

This loan is granted for projects such as oil exploration, real Estate equipment financing such as oil rigs, computers etc. By the nature of such investments, their maturity is generally ten years and above.

4.6 CLASSIFICATION OF LOAN AND ADVANCES

The bank's facilities are classified into:

Grade A: i.e Excellent and this shows that the account is good, securities are adequate and perfected.

Grade B: means that one of those things that is required to make a good account an A is lacking, such could be insufficient security, or unperfected but satisfactory security.

Grade C: This is a border line credit which calls for immediate remedy. It could be that the account is good but that there is no security at all or that securities are good and perfected but that the account is showing some danger signs.

Grade D: Means that the account has gone bad and that the debt/facility must be called in. At thiis stage, it is normal to reserve interest until the debt is fully repaid.

Grade E: At this stage a bad account has also become doubtful of recovery. Provision for bad debt must start.

4.7 MONITORING LOAN PORTFOLIO

At the beginning of the last month in each quarter, credit reviews of each area's branches credit take place in the respective area offices. The participants include those from the Area Office, Branches Dept, Control Dept (observers), Legal Department, Area Manager and the respective Branch Managers.

All accounts with expired facilities are reviewed in order to determine accounts that have deteriorated and should fall into lower classifications. During the credit review all accounts in which interest had started to be reserved and which recovery has not began in earnest will then be provisioned on quarterly basis, taking an average of 20% per annum of the principal or a higher amount if chances of recovery is slim. If the account is well secured and there is high prospect of recovery provision may not be necessary.

4.8 SECURITIES ACCEPTANCE TO THE BANK

Before a loan is granted a customer, there is the need to establish the existence of security and take over ownership of such by keeping in their care the title papers. Nevertheless, AFRIBANK ensures that the concerned customer transferred all the title deeds on the property and this is done by asking the customer to;

(i) Apply for consent mortgage with the bank stating the interest date and other conditions, e.g, expiry terms. This is

addressed to the land registry while the Governor or the reponsible minister approved.

(ii) The original certificate of occupancy is also surrendered.

(iii) 3 years tax certificate is also required by the bank.

4.8.2 CLASSIFICATION OF THE SECURITIES

Any kind of property, subject to limitations and qualifications, can be used as security. Broadly, security is classified into;

1. 1st class: This constitute of Fixed deposits

(b) Savings Account.

These two would not constitute a securty until a lieu on the Fixed deposits is constituted with a letter of set-off, i.e, in an instance of failure to perform the bank use the deposit to off-set the loan.

Secondly, the wisdom in using fixed deposits as security is that

(a) it introduces prudency from the customer

(b) The interest accrued on the Fixed deposit can be used to off-set part of the interest paid on the loan.

II, While savings account is only regarded as security when such a customer gives the bank the authority to debit which is expected to be given before approving or rather granting the loan.

II. 2nd Class: This refers to Shares Certificate, Stocks, Life policies, Legal Mortgage etc. Current account are not acceptable due to the fact that the owner can easily cash his cheque without necessary notifying the bank and moreover it is not easy to monitor such customer.

4.9 TYPE OF SECURITIES

4.9.1 Mortgage

(a) Legal Mortgage; under this, a legal mortgage can be created only by a conveyance by the mortgagor of his legal Estate in the land to the mortgagee subject to the proviso for redemption.

Legal mortgage can be of two kinds, i.e.

(i) When the customer is the borrower and at the same time the owner of the land being offered as security, a legal mortgage is effected.

(i) If it is a 3rd party land that is being used, a tripartite deed of legal mortgage is effected.

To hold a sound security, the legal mortgage must be perfected. As earlier on mentioned, after the deed of legal mortgage has been executed, Governor's consent as required by the Land Use Act must be obtained. Sections 21 and 22 states that consent must be obtained when land is to be alienated. Whle section 26 provides that;

"Any transacton or any instrument which purports to confer on or vest in any person any interest or right over land other than in accordance with the provisions of this Act shall be null and void".

Along with the application should be attached;

1. Three original title document.
2. Three years current tax clearance certificate and PAYE Deduction receipts in case of a company,
3. Receipt of payment of Ground Rent.

The legal mortgage if for an individual is registered at the land's registry of the state where the land is situated and in case of a company also with the companies Registry under section 94 of the companies Decree.

(b) Equivalent Mortgage: This can be created in several ways;

(i) Simple deposit of title deed

(ii) Deposit of title deed accompanied by an executed memorandon of deposit.

(iii) An agreement to create a legal mortgage

(iv) A legal Mortgage over an equitable interest.

4.9.2 Guarantees and Indemnities

A guarantee is a promise by one person (called the "guarantor" or the "surety") to answer for the present or future

debt of another (called the "principal Debtor"). A guarantee is thus a contract of secondary liability. The guarantor is infact telling the banker - Advance money to Mr. A, if he does not pay, I will repay you.

4.9.3 Pledges

This is in respect to chattels or goods. A pledge arises when goods or title documents thereto are deposited by the customer to the banker as security for the repayment of an advance on the understanding that as soon as the advance is repaid, the subject matter of the pledge will be returned to the pledger.

4.10 TYPES OF LOANS

(i) Personal loan

(ii) Overdraft

(iii) Medium term loan

(iv) Short term loan

(v) Housing loan

(vi) Staff loan: (a) rent loan
(b) Personal loan
(c) Car loan
(d) Motor cycle loan.

The above-mentoned and others are the types of loans granted by the bank.

4.11 PROVISION FOR BAD AND DOUBTUL DEBTS

It is considered most prudent by the bank to provide for bad and doubtful debts, ever since before the central bank's prudential guidelines, this practice among others has enable the bank to vie for positions traditionally reserved for first generation banks i.e, the big three (FIRST BANK, UNION BANK AND UBA).

It is the policy of the bank to retire 25% of a loan if such loan remains inactive for exactly 3 months, and 50%, 75% and 100% for subsequent quarters, until the whole loan is retired. And in instances where the loan is revived, the proceed therefrom is considered as profit. Though where the account is well secured and there is high prospect of recovery, provision may not be necessary. To constitute a provision the proposal during the credit review must be approved by management and then advised the Area and Managers of the branch concerned.

CHAPTER FIVE - SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The credit policy of AFRIBANK due to it's rigidity can be said to be impersonal, it is quite true all humans have feelings that can be influenced to do one's biddings depending on the motivator. For some it is the "gratification" that would come out of it, for some it is the personal relationship that had already been established either through contract (marriage), frienship (school or childhood) and for others for favours they wants to curry against future commitment or return favours. But in AFRBANK, for a substantial loan (excess of #100,00.00) to be granted, it goes through the three tier of the bank's credit review and Appraisal's Committee which all things being equal would make the loan airtight against default by the customer.

However, there is one thing that is militating against the rules and procedure of the credit departments, time without number, the bank has found itself in compromised situation and this has led to what is referred in the bank as Policy-Lending which means that granting loan without resorting or consulting the necessary credit appraisal nor the necessary security required to secure the loan. Among those that have compromised the bank's policies are the Government Officials as well as the bank's top officials that may one way or the other themselves either have been compromised or "gratified".

Secondly, apart from the laid down policies, the bank has made it a policy to select some of their officers for sponsored course in Credit appraisal this is to further ensure that the policies are strictly adhred to. Except for the Policy-lending that always rear it's ugly head once in a while, the bank's policy is strict and has been responsible for the over 85% of the loan repayment. Towards this, the Central bank had even commended them during the course of this write-up.

It should be noted that the bank's three tier has different standard by which the applications submitted to them are appraised and these same officers are variously and collectively connected with credit review and thus acts as a check on their loan-granting activites and further enhanced their own professionalism and expertise in credit appraisal and review.

5.2 RECOMMENDATIONS

However tight a policy or strict a regulation may be, a loophole or oversight always comes up either in commission or omission. As already mentioned, the bank's policies regarding credit appraisal is spelt out but only to the officers. Thus there is the need to establish;

(i) Bank-Customer Dialogue:

This can take the form of personal contact or the publication of phamplets that would spell out what is required of

a customer before, during and after applying for, granting and utilisation of the facility being sought by the customer. This would go a long way in preparing the customer for the intricacies involved in credit dealings. Most atimes, genuine and faithful debtors have suffered through the foolishness and cunning habits of the fraudulent ones.

(ii) The Spread of Authority

In an average AFRIBANK branch, three or more officers apart from the Manager and the credit officer (who does the appraising) are empowered to authorise payment but the problem is that all the three may only be authorised up to, say #20,000.00.

In my opinion, it would be ideal for one to duly authorise a credit of say #15,000.00, another for #25,000.00 and then #50,000.00, this acts as check and a specific role is assigned to the officers instead of being vague about the role expected of them.

(iii) Realistic repayment Schedule

The repayment schedule should be individualised, i.e. a general pattern should not be strictly adhered but a limit of repayment be scheduled. This is only necessary in order to ensure performance. A loan prematurely written off does not really signify non-performance but may be occasioned difficulty by the customer in meeting a scheduled payment, in essence, the

schedule should be based on the individual customer, the facility and the purpose which the facility is being utilised and these to a large extent differs from one loan to the other.

(iv) Awareness in the Top Management

The Management should be routinely made aware of the credit policies and regulations from tme to time. For this class of officers are in most cases the ones responsible for policy-lending, if this does not elimnate policy-lending, at least it would minimise it because some of them would develop the courage to deny those friend seeking express grants or loans without following the right channels.

Secondly, the government also need to check itself against this kind of loan, this would only lead to high inflation rates and if really the government intends to revive the economy, loans not properly appraised nor secured should be discouraged, though this iis a tall order.

5.3 CONCLUSION

AFRIBANK has evolved a combination of credit control and administration in it's branches. The bank allocated authorities to it's officers as well as the guidelines necessary for the successful application of it's policies. While the system is centralised, it has a combinaton of techniques in it's applcation and thus compliance.

But just like all human endeavours, it has it's own limitations but the bank has from time to time issue memorandum towards rectifying the mistakes committed or those overlooked. The only problem that has defy any solution is that of policy-lending moreover credit being one of the most influential and a high revenue generating function would always be tampered with and influence by those within and outside the bank respectvely. Thus, there is the need for caution on the part of a credit officer most importantly.

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CREDIT APPLICATION FORM

BRANCH: MAIN ACCOUNT No. _____

CUSTOMER'S NAME:

DATE:

HEAD OFFICE/REGISTERED FULL ADDRESS

CUSTOMER INDEX NO:

DATE ACCOUNT OPENED

DATE OF INCORPORATION/REGISTRATION:

CAPITAL

AUTHORISED:

ACTIVITY:

ISSUED:

LEGAL FORM

PAID UP:

SECTOR:

CERTIFICATE NO:

NEPD:

AFFILIATE/SUBSIDIARIES

CLASSIFICATION.

DIRECTORS (Indicate Managing Director)	SHARE HOLDING (By names & percentages)

MEMORANDUM AND ARTICLES OF ASSOCIATION

i. Is borrowing within borrowing powers of the company?

ii. Are the borrowing powers of Directors in order?

iii. Is credit application in accordance with objectives of the Company?

OTHER BANKERS: (Indicate Relationship)

A tabular form is given below:

PARTIES	TYPE OF MORTGAGE	FORM
1. Borrower and owner	Deed of Legal Mortgage	ADV. 9A/B
		ADV. 8C
		ADV. 9C
2. 3rd. Party Security	3rd. Party Deed of	ADV.10A/B
This will comprise	Legal Mortgage	ADV. 10C
a. Director using		ADV.8A/B
personal land		
to guarantee		
Company's bor-		
rowing.		

The tabular form showing the situations where a particular standard form should be used is attached. Every Credit Department should have a copy of this for guidance. In circumstances where the standard form is not suitable, the deed of Legal Mortgage can be prepared by the Legal Department incorporating the necessary modification.

7:5 PERFECTION PROCEDURES

To hold a sound security the Legal Mortgage must be perfected.

APPENDIX

CUSTOMER [illegible] AFRIBANK 1096 5

EXC[illegible] that the permission of the Exchange Control Authority for the facilities requested is not [illegible] expiring ..... (Delete which is not applicable)

SECURITIES: For details use CR 4

TYPE	Value of Stamping N	Realisable Value N	H	TBC
TOTAL				

Branch Declaration: We hereby [illegible] given here is correct to the best of our knowledge and belief and that unless [illegible] TBC [illegible] herein are held by us in good order.

MANAGER'S NAME.....

SIGNATURE & DATE .....

"H" = HELD

TBC = TO BE CONSTITUTED

Type of Facilities Facilities Index (no Account No(s))	N.I. D.E.C	Limits Applied for by Customer & Date of Application	Interest Rate	Commission %	Limits Granted	Validity Granted

I.B.W.A. PARTICIPATION

	FINANCIAL YEAR			Period From..... To.....
	19.....	19.....	19.....	
Customer's Turnover				
Credit Movements				
% participation of IBWA				

FINAL DECISION:

Name

Signature

Date

N = NEW I = INCREASE D = DECREASE E = EXTENSION C = CANCELLATION

CRITICAL ANALYSIS OF PROPOSAL

(Please see "Notes on completion of Credit Form 1096" for guidance).

156293

Continuation Sheet if necessary

2

Statistics From ..... To			Outstandings at	Present Limits	Present Validity	Limits Applied for	Net Changes	Proposed Validity
Limits Utilisation	Days of Utilisation	Average Utilisation						
TOTAL								

TOTAL AMOUNT OF CREDITS				DECIDING AUTHORITY
	Present	Applied for	Variance (+/-)	
CLASS I				
CLASS II				
TOTAL				

REVENUE STATISTICS	19	19	19
Interest			
C. O. T.			
Commission: Bills			
L/C:			
Bonds/Guarantees			
Others			
TOTAL			

Date .....19.....

.....

.....

.....

.....

Dear Sir,

RE: BANKING FACILITY

We refer to your application dated 26/6/91 on the above subject and please to inform you that the Bank is prepared to make available the following facility subject to the condition(s) mentioned below:

FACILITY	Personal Loan
AMOUNT:	₦5,000.00 (Five thousand naira only)
PRICING:	Afribank Prime + 1.5% i.e 21% COT 30k%
EXPIRY:	19/12
REPAYMENT:	16 equal monthly instalments of ₦312.50 w.e.f July 199[illegible].
SECURITY:	Domiciliation of salary

If you accept the above condition(s), please sign and return to us the duplicate copy of this letter. However, the Bank reserves the right to alter or vary any of the aforementioned condition(s) without prior notice.

Thanks.

Yours faithfully,

AFRIBANK NIGERIA LIMITED
ABUJA MAIN BRANCH.

H

AFRIBANK NIGERIA LIMITED

AFRIBANK

BLOCK 2, CLOSE B, AREA 1, SECTION 1,
P.M.B. 75,
ABUJA, F.C.T.

TEL: 09-234134

CABLE: AFRIBANK LAGOS

Dear Sir,

RE: CAR LOAN LETTER OF OFFER

We wish to inform you that your request for a car loan of 70,000.00 (Seventy thousand naira only) has been approved subject to the following conditions and shall be repaid over a period of 72 months.

Your total monthly repayment with effect from January 1993 would be ₦972.22.

You will be required to execute car loan agreement on this loan prior to release of funds.

It is imparative that the premium payable on the vehicle is remitted to Afribank Insurance Brokers Company to ensure that the car is comprehensively insured through them, prior to release of funds, otherwise this approval will be regarded as cancelled.

The car to be physically produced with its relevant documents e.g. change of ownership, comprehensive insurance policy etc, within one month of funds disbursement, otherwise the loan will be fully retrieved by the management after three months of funds disbursement.

Please, note that staff loans with the conceasionary interest rate are special privilages granted to only bonafide members of staff. Therefore, any outstanding balance becomes repayable immediately you cease to be a staff of the bank. Should the bank allow any residual balance after you ceased to be a staff, then such balance will revert to a commercial loan to terms to be stipulated by the bank.

If you accept the conditions stated above, please endorse your signature on the duplicate copy of this letter.

Yours faithfully,

AFRIBANK NIGERIA LIMITED
ABUJA MAIN BRANCH.

Chief E. O. Adesoye – Chairman, G. S. [illegible] – Vice Chairman, A. A. Dala – Managing Director/Chief Executive, I.Y. Abdullahi – Executive Director, A.O. Akinnmisi – Executive Director, Marc Blondel (French) – Executive Director, [illegible] (French) – Executive Director, Dr. J. N. Ezikpe – Director, A. E. Kester – Director, Z. Mohammed – Director, Alhaji M. B. Katagum (Galadiman Katagum) – Director, Dr. U. [illegible] (German) Director, Banque Internationale pour L'Afrique Occidentale – Director. Alternates: Angus M. Ferguson C.B.E. (British), W. Notz (Swiss).

OTHER CONDITIONS.

(1) [illegible] legal fees incurred by the bank in the [illegible] securities relating to the above [illegible] will be borne by you, by direct debiting of [illegible] without prior notice or recourse.

(2) [illegible] in time your current account is in excess of approved [illegible] interest rate on the total amount outstanding during [illegible] shall be the normal rate applicable to your facility [illegible].

(3) [illegible] are not utilised within six months hereof, [illegible] consider the offer to have lapsed and will not be [illegible] providing the funds as aforesaid.

Without prejudice to the foregain, please note that the bank reserves the right to change, alter or amend any of the terms and conditions [illegible] should the need arise for us to do so.

Meanwhile, [illegible] your agreement and acceptance of this offer by [illegible] signing and returning to us the attached copy of this letter prepared for that purpose.

Yours faithfully,

[illegible]
ABUJA [illegible]

The Managing Director,
XYZ (NIG) LTD
V.I Lagos.

Dear Sir,

ATTENTION MR. [illegible]

1.0 Further to your letter reference AB/IF3/488/93 dated 27th August, 1993, we are pleased to advise that the Executive Committee Credit has recommended the [illegible] facility to the Board of Directors for necessary consideration subject to the following terms and conditions:-

1.1 TYPE OF FACILITY: [illegible] (Increase)

AMOUNT: [illegible] (Six million, eight Hundred thousand Naira only) to be utilized as follows:
[illegible] Corporate Branch - ₦300,000.00.
[illegible] Branch - ₦ 500,000.00

PURPOSE: [illegible] working capital requirements.

REPAYMENT: Subject to the usual Banking terms and conditions for repayment of demand and may be cancelled by the Bank without prior notice.

PRICING: [illegible] prime (Currently PTA & p.a) Plus 0.5% p.a. i.e. presently 88.0% per annum.

[illegible].

SECURITY: Debenture Trust Deed over the Company's Fixed and Floating Assets Stamped and registerd to cover ₦[illegible],000,000.00 shared pari - passu with UBA, SGBN, [illegible] MERCHANT BANK. Afribank's [illegible] for [illegible] noted for ₦6,800,000.00 (Held)

EXPIRY: [illegible] facility will expire on 30th September, 1993 and [illegible] before thatdate.

2.0 CONDITY [illegible] [illegible] AND CONTINUING AVAILABILITY OF THE FACILITY.

The facility [illegible] will be made available until the following conditions have been met:

I. Acceptance by the Company's authorised signatories of this offer within 30 days from the date of this letter.

II. The Company's Board resolutions under seal authorising and accepting the facilities.

M

3.0 [illegible]

I. If at any [illegible] your current account is in excess of approved overdraft [illegible] Interest rate on such excess shall be the normal rate applicable to your facility plus 4% p.a. i.e. Afribank prime (Currently [illegible] 4.5% p.a. presently 32% per annum.

4.0 Without prejudice to the foregoing, please note that the bank reserves the right to vary, alter and amend any of the terms and conditions [illegible] at any time should the need arise for us to do so.

5.0. We shall [illegible] of other applicable terms and conditions when the [illegible] will in obtained. Meanwhile, please signify your agreement to the terms of the offer, by returning the attached copy of [illegible] after your authorised signatories have signed the last page with the other pages being duly initialled.

Yours faithfully,
AFRIBANK [illegible]