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September 30, 2019

BSD/DIR/GEN/LAB/12/049

LETTER TO ALL BANKS

RE: REGULATORY MEASURES TO IMPROVE LENDING TO THE REAL SECTOR OF THE NIGERIAN ECONOMY

Our Letter To All Banks on the above subject dated July 3, 2019, BSD/DIR/GEN/MDD/01/045, refers.

1. The Central Bank of Nigeria (CBN) has noted the appreciable growth in the level of the industry gross credit, which increased by N829.40 billion or 5.33% from N15,567.66 billion at end-May 2019, to N16,397.06 billion as at September 26, 2019 following its pronouncements on the above initiative. In order to sustain the momentum and in line with the provisions of our earlier letter, the minimum Loan to Deposit Ratio (LDR) target for all Deposit Money Banks (DMBs) is hereby reviewed upwards from 60% to 65%.
2. Consequently, all DMBs are required to attain a minimum LDR of 65% by December 31, 2019 and this ratio shall be subject to quarterly review. To encourage SMEs, Retail, Mortgage and Consumer Lending, these sectors shall be assigned a weight of 150% in computing the LDR for this purpose.
3. Failure to meet the above minimum LDR by the specified date shall result in a levy of additional Cash Reserve Requirement equal to 50% of the lending shortfall implied by the target LDR.
4. DMBs are required to continue to strengthen their risk management practices particularly with regards to their lending operations.
5. The CBN shall continue to review developments in the market with a view to facilitating greater investment in the real sector of the Nigerian economy whilst promoting a safe, sound and resilient financial system.

This letter is with immediate effect.

Yours faithfully,

BELLO HASSAN

For: DIRECTOR OF BANKING SUPERVISION