

TERMS OF REFERENCE

FINANCIAL CONSULTING FIRM

Description: Review and Validation of Development Bank of Nigeria Plc. Internal Capital Adequacy Assessment Process

I. Background

The Development Bank of Nigeria (DBN) is a wholesale development finance institution licensed and supervised by the Central Bank of Nigeria (CBN), with the objective of addressing access to finance gaps of underserved Micro, Small and Medium Enterprises (MSMEs) in Nigeria. With business and governance models based on internationally recognized good practices and substantial commitment of capital, the DBN will perform a catalytic role with potentially transformational impact by facilitating financially sustainable and transparent access to finance for underserved MSMEs. This will be achieved by supporting the development of diverse lending products, including the provision of medium- and long-term loans in local currency (Naira), and partial credit guarantees to be provided to eligible Participating Financial Institutions (PFIs), with a view to expanding their outreach to MSMEs and, to a limited extent, small corporates. The DBN has been registered as a public liability company and is licensed, regulated, and supervised by the CBN.

The Internal Capital Adequacy Process (ICAAP) is produced annually and its purpose is to present the Bank's methodologies in assessing its current and future capital requirements. The report assists the Bank in determining the adequate level of capital to support its strategy and ensure adequate capital levels are maintained for the associated risks.

It takes into consideration the Bank's risk exposures and how the Bank intends to mitigate the identified risks including the current and future capital necessary to support the Bank's current and future operations.

The CBN guidelines for Internal Capital Adequacy Assessment Process (ICAAP) requires the Bank to perform an annual independent, wholistic, and forward looking assessment of its risk exposure and review it's ICAAP policy.

II. Objectives of the Assignment

The DBN intends to engage a professional consulting firm to perform an annual independent review and revalidation of the Bank's Internal Capital Adequacy Assessment Process (ICAAP) for the year ended December 31, 2021 in line with regulatory requirements.

III. Scope of Work:

The professional consulting firm shall undertake the following:

- Review of Pillar 1 CAR Computation
- Review Pillar 2 Capital Charge Computation
- Review Stress Test Computation
- Review the ICAAP Report
- Discuss gaps identified with key stakeholders
- Support remediation of identified gaps
- Submit comprehensive report on all review findings with recommendations

IV. Qualification and Experience- Consulting Firm

The firm should be registered as authorized to practice in Nigeria and have partners with practice licenses from a national professional accountancy body with IFAC membership. The firm should have relevant experience in risk management and capital adequacy evaluation.

V. Terms of Payment

Payment will be made to the consulting firm upon approval and signing of the agreement and engagement letter.

VI. Expected Output/Report

The consulting firm is expected to deliver an ICAAP validation GAP report at the end of the review process.