PART ONE

ACTIVITIES OF THE CENTRAL BANK OF NIGERIA

CHAPTER 1

ACTIVITIES OF THE CENTRAL BANK OF NIGERIA

The CBN continued its re-engineering initiatives under project "EAGLES", as the implementation peaked in 2007. One of the key initiatives within the implementation phase of the project is Process Improvement and Redesign (PIR), aimed at improving the efficiency and effectiveness of business processes in the CBN, engender a culture of continual improvement, as well as maintain a repository of best practices for the CBN. The CBN also pursued vigorously its branch network expansion with construction works at advanced stages of completion at Asaba, Awka, Gombe, Lokoja, Oshogbo and Umuahia. The Bank's Information Technology (IT) initiatives, namely Oracle ERP, Temenos T24, electronic Financial Analysis and Surveillance System (e-FASS), and Central Bank Inter-bank Funds Transfer System (CIFTS) facilitated the linking of deposit money banks, other financial institutions and bureaux de change to the Bank for the purpose of prompt rendition of returns. The CBN also sustained its corporate social responsibilities.

1.0 CORPORATE ACTIVITIES OF THE CBN

1.1 Administration

1.1.1 Board of Directors and Other Committees

The structure of the Board of Directors of the Central Bank of Nigeria (CBN) was altered following the passage of a new CBN Act, in 2007, which increased the number of non-executive Directors from 6 to 7, to include the Accountant General of the Federation. Consequently, the Board of Directors comprised the Governor, Chukwuma C. Soludo (Chairman), four Deputy Governors, namely, Ernest C. Ebi (Corporate Services), Sarah O. Alade (Economic Policy), Tunde Lemo (Financial Sector Surveillance) and Suleiman A. Barau (Operations), and seven non-executive Directors. The non-executive Directors were Ama I. Pepple (Permanent Secretary, Federal Ministry of Finance), Ibrahim H. Dankwambo (Accountant General of the Federation), Akpan H. Ekpo, Juliet A. Madubueze, Dahiru Muhammad, Samuel O. Olofin and Joshua O. Omuya. Obadiah Mailafia, former Deputy Governor (Economic Policy) and Shamsuddeen Usman, former Deputy Governor (Operations) ceased to be members of the Board, following their appointments as the Special Adviser to the President on Political Economy and the Honourable Minister of Finance, respectively. Also, Akinlose S. Arikawe, former Permanent Secretary, Federal Ministry of Finance, was replaced on the Board following his retirement from the public service. The Board held eight (8) regular meetings and one (1) emergency meeting in 2007. The Committee of Governors held seventeen (17) meetings while the Governors' Consultative Committee and the Committee of Departmental Directors held twelve (12) regular meetings and one (1) emergency meeting each, respectively. In order to provide an adequate internal environment for the proper management of reserves, and ensure that investment operations comply with the internal operating procedures, risk limits and strategic asset allocation, as enunciated in the Bank's Investment Policy Guidelines, the Board of Directors of the Bank delegated the responsibility for the oversight of reserves management operations to the Investment Committee (IC). The membership of the IC consists of:

a) The Governor of the Bank (Chairman),

b) The Deputy Governors of the Bank,

c) Two members of the Board of Directors,

d) The Permanent Secretary, Federal Ministry of Finance,

e) Five Departmental Directors, with the

f) Foreign Operations Department of the Bank to serve as the secretariat

The Investment Committee met twice in 2007 during which it took decisions on the finalization of the global custody and asset management agreements between the Bank and JP Morgan Chase (the Custodian), and fourteen (14) External Fund Managers. In addition, the Committee approved the appointment of Zenith Bank (UK) Limited as a deposit counterparty for the Bank's money market operations. The IC also endorsed management's decision to leverage on the growing reserves to promote Nigerian banks into major players in the international financial market. The Audit Committee of the Board held 4 regular meetings during the year.

1.1.1.1 Monetary Policy Committee (MPC)

In order to facilitate the attainment of the objective of price stability and to support the economic policy of the Federal Government, the Monetary Policy Committee (MPC) was formally enshrined in Section 12(1) & (3) of the CBN Act, 2007). Membership of the MPC, as contained in the Act consists of:

(a) Governor of the Bank (Chairman),

(b) Four Deputy Governors of the Bank,

(c) Two members of the Board of Directors of the Bank,

(d) Three members appointed by the President, and

(e) Two members appointed by the Governor.

The MPC held five (5) meetings at which macroeconomic developments were reviewed, and appropriate monetary policy decisions taken. The decisions of the Committee were communicated to the public as follows:

MPC Decisions on MPR in 2007		
Date	Rate (%)	Decision
February7, 2007	10.0	Unchanged
June5, 2007	8.0	Reducedby 200 basis points
August1, 2007	8.0	Unchanged
October3, 2007	9.0	Increased by 100 basis points
December4, 2007	9.5	Increased by 50 basis points

The MPC changed the Monetary Policy Rate (MPR) thrice during the year based on the assessment of different measures of inflationary expectations and other economic factors. The Bank's transparent conduct of monetary policy engendered a favourable outcome in 2007 as evident in interest and exchange rates stability.

1.1.2 Development of CBN Branch Offices

The CBN, in its determination to provide quality banking infrastructure and easy access to banking services, embarked upon the development of branch buildings and currency centres. During the year, the Enugu new branch building was commissioned and put into full operation, while work on the Port Harcourt branch extension project reached an advanced stage of completion and was expected to be commissioned in 2008. Substantial progress was made on the construction of branch offices at Katsina, Uyo, Awka, Gombe,

Asaba, Lokoja, Oshogbo and Umuahia. Also, work on the currency centre projects at Asaba, Awka, Gombe, Lokoja, Oshogbo and Umuahia were at completion stages and due for commissioning in the first quarter of 2008. Furthermore, the upgrading, refurbishment and renovation of existing branch facilities at Benin, Ibadan, Kaduna and Maiduguri as well as the Learning Centre in Lagos were in progress. Also, the Bank awarded the contract for the re-building of the Lagos Office. Other developments included: the outsourcing of the maintenance operations in all the Bank's locations to the Total Facilities Managers; the advertisement and subsequent sale of some of the staff estates nationwide to the general public; the commissioning of consultants and the preparation of tender documents for the International Training Institute, Abuja; and the development of centres of excellence in the teaching of Accountancy, Economics, Banking and Finance in three Nigerian universities Ahmadu Bello University, Zaria; University of Ibadan, Ibadan and University of Nigeria, Nsukka, respectively.

1.1.3 Computerisation Programme

The CBN continued to fine-tune its Information Technology (IT) initiatives, namely Oracle ERP, Temenos T24, electronic Financial Analysis and Surveillance System (e-FASS) and Central Bank Inter-bank Funds Transfer System (CIFTS). Apart from the deposit money banks, other financial institutions and BDC were linked to the CBN for prompt rendition of returns. Thus, the timely generation of daily Analytical Balance Sheet (ABS) was facilitated. The Oracle Learning Management System which would enable the CBN to manage staff training was deployed. In addition, two modules of the Corporate Performance Management System, namely, the Balanced Score Card and Enterprise Planning & Budgeting were completed and ready for deployment, while the Data Warehouse and Daily Business Intelligence modules were at advanced stages of implementation. The CBN conducted training for users to acquire the requisite skills and competencies for effective use of the applications.

1.1.4 Library Operations

Thirty-one (31) newly recruited professional Librarians assumed duty in 2007 and were deployed to the various branch libraries. The volume of books and periodicals consulted by staff rose by 5.6 per cent to 9,820 in 2007. Also, the number of library users increased by 1.1 per cent to 5,230. Furthermore, the total volume of books in the library system after weeding the old issues, stood at 90,570. The library continued to source for more relevant databases to give staff online access to relevant information. These included: EBSCO, comprising business source complete, Econlit with full text, Library Information Science of Technology Abstracts with full text and legal collection; Kiplinger Finance & Forecasts; and CEPR Discussion Paper Series.

1.1.5 Legal Services

The Bill for the re-enactment of the CBN Act was passed into law, and assented to by the President of the Federal Republic of Nigeria in May 2007. Also, the Legal Services Division handled a number of cases including those arising from the post consolidation exercise. Thirty-two (32) cases were decided, out of which only two, were against the Bank. In addition, three cases were resolved amicably between the contending parties through the Alternative Dispute Resolution (ADR) mechanism. In continuation with the efforts to ensure a financially crime-free environment, the CBN organised sensitisation workshops for Compliance Officers of the deposit money banks.

1.1.6 Internal Audit

The Internal Audit Department's exercise covered all the sixteen (16) departments in the Head Office and twenty-two (22) branches and currency centres. The outcome of the exercise showed that the CBN's business processes were generally carried out within the laid down rules and procedures. Furthermore, 256 currency disposal operations requiring audit witness were carried out, compared with 720 in 2006. The Department also participated in the pensioners head count exercise involving 4,731 pensioners in the Bank's 22 branches and the Head Office of the CBN.

1.1.7 Restructuring of the CBN (Project EAGLES)

The CBN continued its re-engineering initiatives under the project "EAGLES", the implementation of which peaked in 2007. Process Improvement and Redesign (PIR), one of the key initiatives within the implementation phase, was aimed at improving the efficiency and effectiveness of business processes, engender a culture of continual improvement, as well as maintain and manage a repository of best practices within the Bank. Following the deployment of the IT applications (RTGS, Extranet Gateway Device, eFASS, T24, Oracle ERP, etc), some challenges in the area of processes and interface between the applications were identified. The Process and IT Applications Systems (Implementation) Review Committee (PIRC) was set up by Management to review the issues raised and proffer solutions. The Committee identified a total of 184 issues, out of which 124 were resolved by the end of 2007. The implementation of the Business Continuity and Integration Strategy of project "EAGLES", kicked off during the year with the appointment of a consultant. The project, which involved the development of strategies in three areas of: Business Continuity and Management, Enterprise Application Integration, and Knowledge Management, included the transfer of skills through formal and informal training for CBN staff in these areas, and was expected to be completed by end-March 2008.

1.1.8 Communications

The CBN deployed its redesigned and updated Internet website during the year. The new website has improved features such as content management, scalability as well as easy and fast website/application deployment. As part of efforts to share knowledge and information on website development, the Bank hosted the first edition of the International Conference on Central Banks' Websites, with participants drawn from Central Banks in Africa and Nigerian banks from 24th to 26th October, 2007. The Bank also sustained its efforts at improving the transparency of monetary policy through regular interaction with stakeholders and the public. To this end, five (5) meetings of the Monetary Policy Committee were held and the decisions made public. Also, as part of its regular interaction and communication with the key stakeholders in the financial services industry, six (6) Bankers Committee meetings were held in 2007. In line with the Bank's determination to strengthen the capacity of the practitioners to understand the Bank's policies and programmes, two runs of the Seminar for Finance Correspondents and Business Editors were held. The first was held in Ilorin with the theme "Building and Managing External Reserves in Nigeria", while the second, held in Enugu, had the theme: "Corporate Governance in the Nigerian Banking Sector".

1.1.9 Staff

The Bank recruited four hundred and forty-three (443) staff, comprising Physical Security Operatives, Librarians, Currency Processing/Disposal Assistants and Drivers in 2007. However, the Bank lost the services of twenty-four (24) staff through death. Furthermore, twenty-seven (27) staff left the services of the Bank through mandatory, voluntary or compulsory retirement, while twenty-five (25) staff resigned and four (4) withdrew their services. Also, four (4) staff had their appointments terminated, one (1) staff was declared invalid and one (1) was dismissed. Consequently, the staff strength of the Bank rose from 4,748 at end-December 2006 to 5,111 at end-December 2007. Two hundred and seventy (270) staff were transferred and deployed within the various Strategic Business Units (SBUs). As part of the incentives to boost staff morale and enhance performance, the Bank reviewed staff emoluments and promoted one thousand three hundred and seventy-seven (1,377) members of staff in 2007, comprising 910 senior and 467 junior staff.

1.1.10 Medical Services

In continuation of its resolve to sustain a virile and healthy workforce, the CBN undertook various medical interventions. These included the successful vaccination of about 80.0 per cent of staff and 85.0 per cent of staff dependants against hepatitis B, cerebro-spinal meningitis and typhoid. Significant cure rate was achieved for staff suffering from major illnesses, thereby promoting employees' health status. Furthermore,

the CBN sponsored medical screening for executives, drivers and staff working in hazardous areas, as well as cancer screening.

1.1.11 Training

The CBN intensified efforts at capacity building, through staff development and skill enhancement. Consequently, it sponsored staff training programmes, including seminars, workshops, conferences and courses within and outside Nigeria. The staff benefitted from a total of ten thousand, five hundred and fifty-two (10,552) training slots. Also, the Learning Centre, Lagos conducted sixteen (16) courses in which one thousand, four hundred and thirty-eight (1,438) staff participated. In addition, sensitisation programmes on the Code of Business Ethics and Conduct (COBEC) were carried out in all CBN locations to enhance staff's attitudinal behaviour.

1.1.12 Recreational Activities

The CBN sponsored various sporting competitions in 2007 including football, lawn tennis and golf tournaments. The 29th edition of the CBN Senior Open Lawn Tennis Championship was held at the National Stadium, Lagos on 26th May, 2007 while the CBN Junior Tennis Championship was introduced in May 2007 to serve as a feeder to the senior tournament. The 27th edition of the Governor's Cup Football Competition for all CBN branches was successfully staged at various centres. At the finals played at the Sani Abacha Stadium, Kano on 4th August, 2007, Sokoto branch won the gold medal, while Abuja and Owerri branches won the silver and bronze medals respectively. The CBN also sponsored the maiden edition of the CBN Governor's Golf Tournament, which took place at the IBB International Golf & Country Club, Asokoro in Abuja from 2nd to 4th November, 2007. In addition, the Bank commissioned a workplace gymnasium at the Corporate Head Office in Abuja on 1st December, 2007. In recognition of the contributions of the Bank to sports development, the Champion Newspapers Limited awarded the CBN, the "Sporting Champion Corporate Sponsor of the Year 2007 (Tennis)".

1.1.13 Corporate Social Responsibility

The CBN continued to perform its corporate social responsibility functions by promoting knowledge through seminars, workshops, etc, which were of strategic national interest as well as providing financial assistance to organisations and activities, including the following:

- The Nigerian Economic Society (NES),
- The Nigerian Statistical Association (NSA),
- Christ the Good Shepherd Academy of Science Programme on "Train Indigent Children and Drop-outs",
- Nigerian Union of Journalists (NUJ) hosting of the African Regional Meeting of the International Federation of Journalists,
- Women in Banking, Finance and Investment in Nigeria, hosting of its 2007 National Conference,
- The Computer Professional Registration Council of Nigeria Annual Assembly,
- The Clement Isong Foundation, and
- The Niger Delta University Endowment Fund.

1.1.14 Staff Social Responsibility

The staff of the CBN sustained their support for the less privileged in the Nigerian society through regular contributions to the Alms Collection Scheme of the Bank. The monetary contributions by staff were

primarily designed to keep beggars off the streets of Nigeria's metropolitan cities. As at end-2007, the alms management fund account stood at N28.84 million. During the year, the construction of the Rehabilitation Clinic at Owutu, Ikorodu, Lagos State, funded by the scheme was completed. Moreover, the Board of Trustees (BoT) of the scheme visited four (4) less privileged homes in Abuja and Lagos during the end of year festivities, and distributed gifts in cash and kind to the inmates.

1.2 RESEARCH AND COLLABORATIVE ACTIVITIES

The Bank conducted research in line with its core functions and disseminated information on key issues relating to the management of the economy. The Bank was involved in a number of empirical studies which culminated in the completion of published articles, notable among which were "Inflation Dynamics in Nigeria", "Construction of a Monetary Sector Model of the Nigerian Economy", "Technical Efficiency of Small and Medium Enterprises", "Capital Market Dynamics in Nigeria" and "Capital Flight in Nigeria: An Empirical Estimation". Also, the Bank continued the collaboration with the National Bureau of Statistics (NBS) for generating the strategic economic indicator series through the conduct of the 2006 National Economic Survey. The regular publications of the CBN in 2007 included: the 2006 Annual Report; 2007 Half Year Economic Report; the Quarterly Journal, CBN Economic and Financial Review and CBN Statistical Bulletin. Furthermore, ten (10) seminar papers on topical issues were presented, some of which were published in the Bank's journal after being subjected to thorough reviewing, refereeing and editorial processes. The Bank organised the annual Executive Policy Seminar with the theme: "Monetary Policy in a Changing Environment". The proceedings of the seminar were being edited for final publication. Similarly, the Annual Conference of the Research and Statistics Offices in the CBN branches nationwide was organized in Kaduna during the year with the theme, "Emerging Financial Markets: Issues and Challenges". The proceedings of the conference have been processed for publication. During the year, the process of selecting scholars for the Diaspora/Visiting Scholar programme initiated by the CBN continued. The programme is aimed at encouraging international scholarly research in the core areas of the Bank's activities. In recognition of the existence of a pool of expertise in various disciplines in the CBN, the Bank received and honoured requests for the presentation of lecture papers from various institutions, including regional organizations, such as West African Institute for Financial and Economic Management (WAIFEM).

1.3 CBN BALANCE SHEET

1.3.1 Income and Appropriation

The audited financial statement of the CBN for the year ended 31st December, 2007 showed that total income was N146.5 billion, a decline of 9.8 per cent from the level in 2006. The decline in income largely reflected the cost of monetary operations as well as loss from revaluation of foreign currencies. Operating cost fell by 13.2 per cent in 2007, thereby, bringing the operating surplus before provisions to N32.8 billion, compared with N31.6 billion in 2006.

In accordance with the provisions of Part II, Section 5 (3) of the CBN Act, 2007 (as amended), the sum of N24.3 billion was due to the Federal Government while the balance accrued to general reserve.

1.3.2 Assets and Liabilities

The size of CBN's balance sheet increased in 2007 as total assets/liabilities rose by 18.4 per cent to N7.4 trillion. The rise in assets reflected the increase in external reserves (16.6 per cent), loans and advances (280.7 per cent), investments (24.9 per cent), other assets (75.6 per cent) and fixed assets (4.5 per cent). The increase in total assets was compensated for on the liability side by the increase in deposits (10.2 per cent), CBN instruments (64.8 per cent), notes and coins in circulation (23.3 per cent) and other financial liabilities (114.9 per cent). The paid up capital of the Bank remained N5.0 billion while the general reserve increased by 15.9 per cent to N58.8 billion.

CHAPTER 2

MONETARY POLICY, SURVEILLANCE ACTIVITIES AND OPERATIONS OF THE CBN IN 2007

The persistent excess liquidity in the banking system was a major challenge for monetary management in 2007. This development arose from the monetisation of excess crude oil sales receipts and the distribution of enhanced statutory allocations to the three tiers of government, huge autonomous inflows and pre-election spendings as well as supplementary budgetting. Consequently, the Bank intensified its monetary operations to ensure that the targets under the Policy Support Instrument (PSI) were met at the exit period in June 2007 and the rest of the year. This was to be accomplished by using the Open Market Operations (OMO), issuance of treasury securities in the primary market, standing facilities (deposit and lending) and foreign exchange swaps. Despite these measures, the growth in reserve money, the Bank's operating target, was slightly in excess of the indicative ceiling while broad money supply growth was above the end-year target.

There was a downward movement in lending rates while the intermediation spread narrowed. A yield curve for fixed income securities was developed to serve as a benchmark for the risk-free rate and possible leading indicator for economic activities. Also the primary dealer two-way quote on fixed income securities in the secondary market commenced in April 2007 with six maturities. The Bank stepped up its surveillance activities, as it prepared for a full-fledged implementation of the Risk-based Supervision.

The Wholesale Dutch Auction System (WDAS), introduced in February, 2006 was retained and the foreign exchange market further liberalised. Demand pressure was moderated at the WDAS but increased at the BDC window. The naira remained relatively stable throughout the year even as the average exchange rate appreciated in all segments of the market. The reform of Nigeria's settlement and payments system continued. The Bank continued its currency restructuring programme, with the issuance of the redesigned lower denomination currency (N50, N20, N10, N5 banknotes and N2, N1 and 50 kobo coins) in February 2007. The enhancement in the efficiency of the cheque clearing system and the deployment of more Point of Sale (POS) machines by merchants enhanced public confidence in the use of other means of payment and settlement than cash.
The CBN sustained its developmental functions, particularly through the Agricultural Credit Guarantee Scheme Fund (ACGSF), Small and Medium Enterprises Equity Investment Scheme (SMEEIS) and the Microfinance programme.

2.1 MONETARY OPERATIONS

2.1.1 Monetary and Credit Developments

The persistent excess liquidity in the banking system was a major challenge for monetary management in 2007. This development arose from the monetisation of excess crude receipts and the distribution of enhanced statutory allocations to the three tiers of government, huge autonomous inflow and pre-election spendings as well as supplementary budgetting. Consequently, the Bank intensified its monetary operations to ensure that the targets under the Policy Support Instrument (PSI) were met at the exit period in June 2007 and the rest of the year. The main tool adopted for monetary management remained the Open Market Operations (OMO), complemented by the issuance of treasury securities in the primary market, standing facilities (deposit and lending) to encourage trading at the inter-bank market and foreign exchange swaps.

Provisional data showed that the growth in the major monetary aggregate, broad money (M2), was 30.9 per cent, compared with the target of 24.1 per cent for fiscal 2007 and 30.6 per cent at end-December 2006. Narrow money (M1) grew by 32.4 per cent, compared with 12.2 per cent at end-December 2006. The expansion in money stock was attributable largely to the significant growth in foreign assets (net) of the banking system, arising from persistent increases in crude oil prices in the international market and the increase in domestic credit (net). Consequently, base money, the Bank's operating target for monetary policy, at N1,036.7 billion, rose by 6.3 per cent over the end-December 2007 indicative ceiling of N1,007.0 billion. Aggregate bank credit to the domestic economy (net) increased by 184.1 per cent, in contrast to the decrease of 67.4 per cent at end-December 2006. This was attributed to the 96.8 per cent growth in credit to the private sector. In contrast, net credit to the Federal Government fell by 60.5 per cent, reflecting an enhanced revenue profile of government and, hence increased government deposits with the banking system.

Table 2.1: Key Policy Targets and Outcomes (Per cent)

	2004		2005		2006		2007 1/	
	Target	Outcome	Target	Outcome	Target	Outcome	Target	Outcome
Growth in base money	12.8	5.2	6.5	10.2	7.5	20.5	3.3	6.3
Growth in broad money (M2)	16.0	14.0	15.0	16.2	27.0	30.6	241 2/	309
Growth in narrow money (M1)	13.4	8.6	114	15.9	n.a.	12.2	-	32.4
Growth in aggregate bank credit	22.5	12.0	22.5	21.9	-72.3	-67.4	-29.9	184.1
Growth in bank credit to private sector	22.0	26.6	22.0	29.3	30.0	27.8	30	968
Inflation rate	10.0	10.0	10.0	11.6	9.0*	8.5	9.0	6.6
Growth in real GDP	5.0	6.5	5.0	6.2	7.0*	6.0	10	62

1/ Provisional
2/ Revised forward at end of the year from 21.0 per cent originally programmed at the beginning of the year.

Table 2.2: WAMZ Convergence Criteria

	Target	Achievement		
		2005	2006	2007
Inflation rate	< 5.0 per cent	11.6	8.5	6.6
Ways & Means Advances	≤ 10.0 per cent of retained revenue of the Government	5.1	Nil	Nil
Deficit to GDP Ratio	≤ 4.0 per cent	1.1	0.6	0.5
Gross Official Reserve	6 Months of import cover	131	16.7	16.1

2.1.2 Liquidity Management

Excess liquidity persisted in the money market in 2007, arising mainly from the improved statutory allocations to the three tiers of government, pre-election spendings, and additional fiscal injections from the supplementary budgets of the federal and state governments. At N841.3 billion, and N858.3 billion the

Bank met the March and June 2007 (exit) PSI base money targets of N843.0 billion and N860.0 billion, respectively. In September and December 2007, however, base money was N945.5 billion and N1,195.3 billion, in contrast to the respective indicative targets of N913.0 billion and N1,007.0 billion, respectively. Several monetary policy measures were undertaken to ensure that the monetary targets were met. The measures were aimed at deepening inter-bank trading and encouraging banks to increase resources in the credit market, as well as mitigating the impact of fiscal liquidity injections. Consequently, the use of OMO and the vigorous sale of government securities in the primary market was sustained, while interest payment to Deposit Money Banks' (DMBs) on overnight deposits was abolished. Although the cash reserve requirement (CRR) remained unchanged throughout the year at 3.0 per cent, the Monetary Policy Rate (MPR) was adjusted as appropriate. Special sales and swap transactions were also undertaken at the foreign exchange market to complement the use of domestic money market instruments in liquidity management.

2.1.3 Interest Rate Policy and Developments

The Bank's policy of a market-based interest rate regime was maintained in 2007. Interest rates remained fairly stable since mid-December 2006 when the MPR replaced the Minimum Rediscount Rate (MRR) under the new monetary policy implementation framework. The MPR remained the anchor interest rate used to moderate volatility in the inter-bank rates, encourage inter-bank trading and engender transactions rate that could improve the transmission of monetary policy actions. Given the robust performance of the economy in the first half of the year, including the continued stability of the exchange rate, strong external reserves as well as the significant moderation in inflation, the MPR was reviewed downwards in June by 200 basis points, to 8.0 per cent. However, the challenges from autonomous private inflows and the appreciation of the naira necessitated the upward review of the MPR by 100 basis points to 9.0 per cent in October, which thereafter served as the repo and CBN lending rates. The MPR was further raised by 50 basis points to 9.5 per cent in December, indicating the tightening of monetary policy to contain a liquidity surge and the likely negative effects of increased capital inflows.

2.1.3.1 Money Market Rates

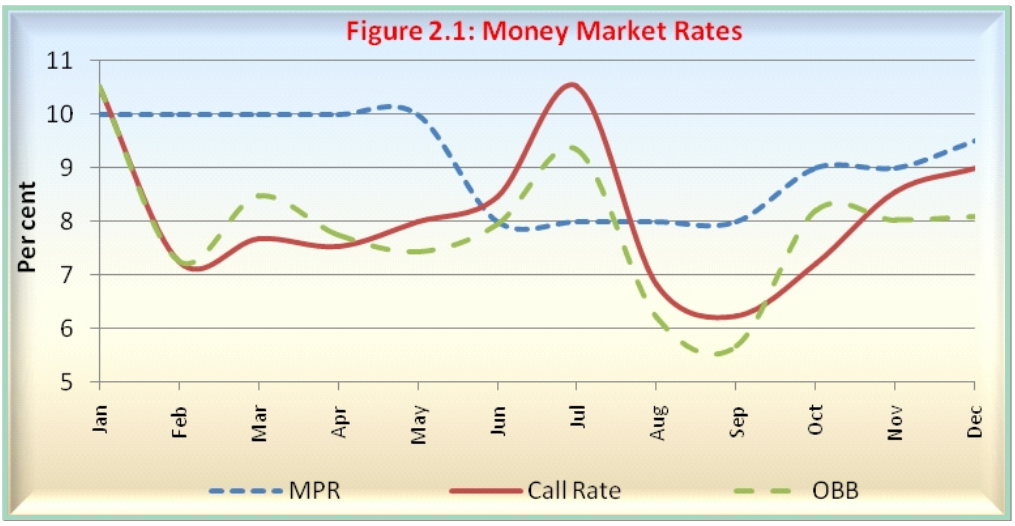
The Bank's interest rate policy as well as monetary conditions engendered a regime of relatively stable money market rates in 2007. On a monthly basis, the weighted average inter-bank call, tenored, and open-

Table 2.3: Money Market Rates (Per cent)

		Weighted Average			
Month	MPR	Call Rate	OBB	NIBOR 7-days	NIBOR 30-days
Jan-07	10.0	10.53	10.53	11.36	13.17
Feb-07	10.0	7.26	7.26	7.72	11.96
Mar-07	10.0	7.68	8.48	7.85	11.37
Apr-07	10.0	7.54	7.75	7.75	10.57
May-07	10.0	7.99	7.43	11.01	11.01
Jun-07	8.0	8.46	7.94	7.94	11.56
Jul-07	8.0	10.52	9.34	10.80	12.85
Aug-07	8.0	6.83	6.22	7.62	12.49
Sep-07	8.0	6.24	5.67	6.91	12.38
Oct-07	9.0	7.21	8.21	7.71	12.40
Nov-07	9.0	8.56	8.03	8.88	12.55
Dec-07	9.5	8.99	8.09	8.93	12.89

buy-back rates averaged 7.84, 11.62 and 7.91 per cent, respectively, compared with 7.38, 11.99 and 9.20 per cent in 2006. The monthly average NIBOR for the 7-day and 30-day tenors were 8.71 and 12.10 per cent, respectively, up from 7.86 and 12.03 per cent, in 2006. The inflow of funds from the Federation Account, Joint Venture Cash Call payments, disbursement of excess crude proceeds and the operation of the new monetary policy implementation framework contributed to moderate the levels of interest rates in all segments of the market.

Other factors that influenced the behaviour of interest rates in the various segments in 2007 included attempts at achieving reserve money targets under the PSI and the demand for collateral before accessing the standing lending facility. Consequently, market participants without collateral resorted to inter-bank borrowing above the MPR.

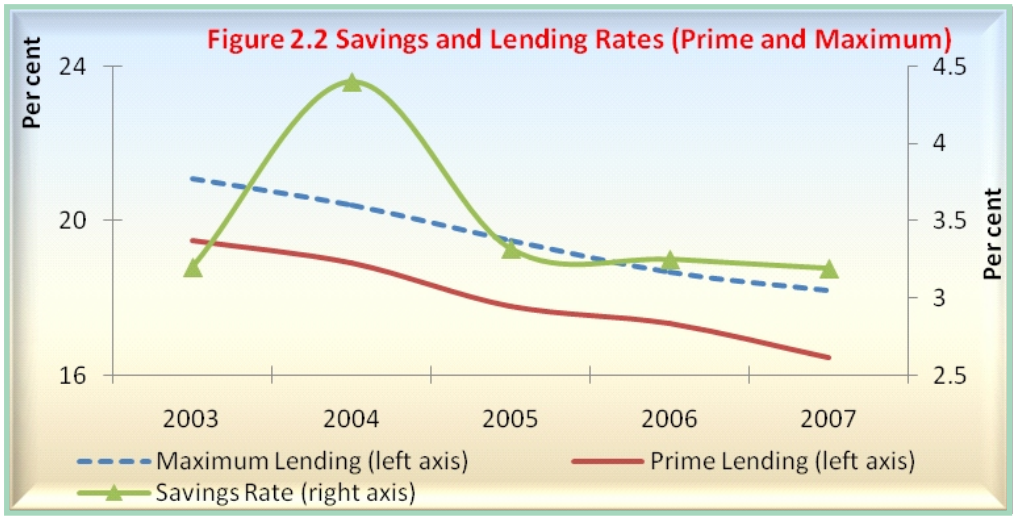


2.1.3.2 Deposit Rates

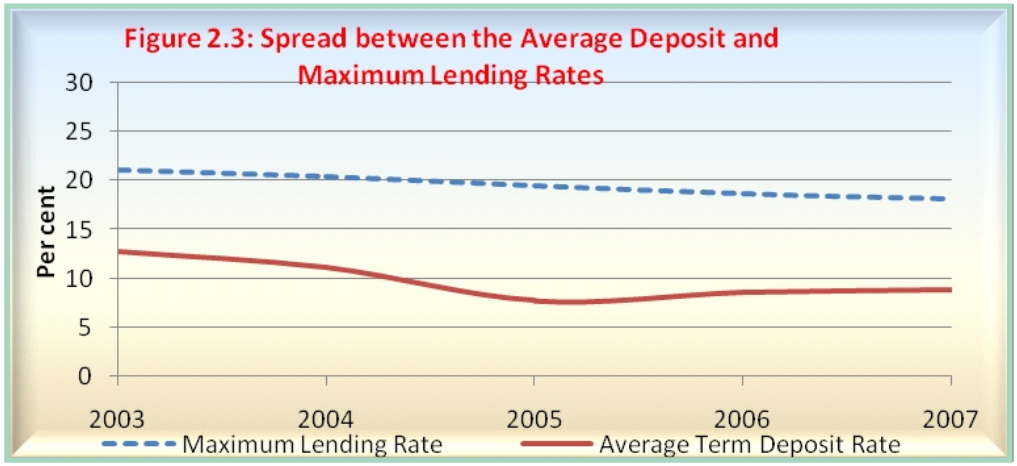
Deposit rates generally remained stable as only a marginal increase was recorded in some of the maturities in 2007. With the exception of average savings and three-month deposit rates, which fell by 0.1 and 0.4 percentage points to 3.19 and 9.53 per cent, respectively, in December 2007, other rates on deposits of various maturities ranged from 5.82 to 10.29 per cent in December 2007, from a range of 5.21 10.25 per cent in December 2006. The average term deposit rates also edged up slightly to 8.90 per cent from 8.56 per cent in 2006. The increase in banks' deposit rates was attributable to the upward review of the MPR during the second half of the year, as well as the volatile liquidity conditions in the banking system.

2.1.3.3 Lending Rates

The weighted average prime and maximum lending rates declined marginally to 16.46 and 18.21 per cent, respectively in December 2007 from 17.33 and 18.66 per cent in December 2006. The downward movement in bank lending rates was traceable to increased competition in the credit market.



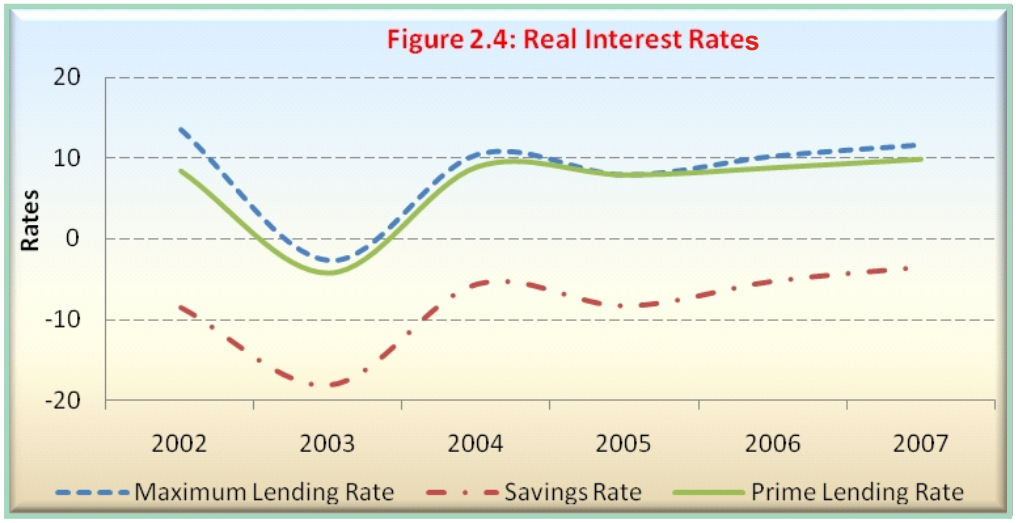
Consequently, the spread between average term deposits and maximum lending rates narrowed to 9.13 percentage points in 2007, from 10.1 percentage points in 2006. The relatively low spread between the deposit and lending rates indicated greater efficiency in banks' intermediation role. With the estimated year-on-year inflation rate at 6.6 per cent in December 2007, lending and deposit rates except the savings deposit rates remained positive in real terms.



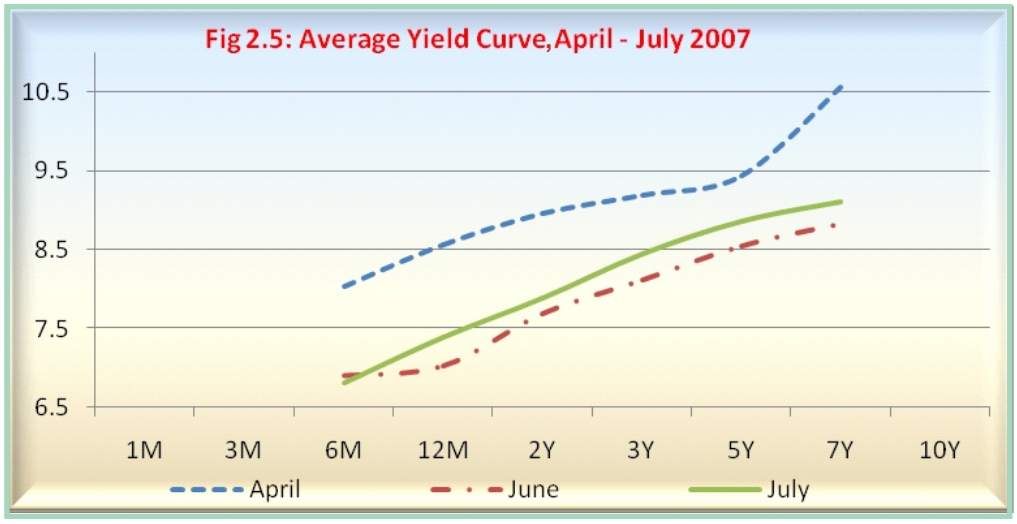
2.1.3.4 Return on Fixed Income Securities - The Yield Curve

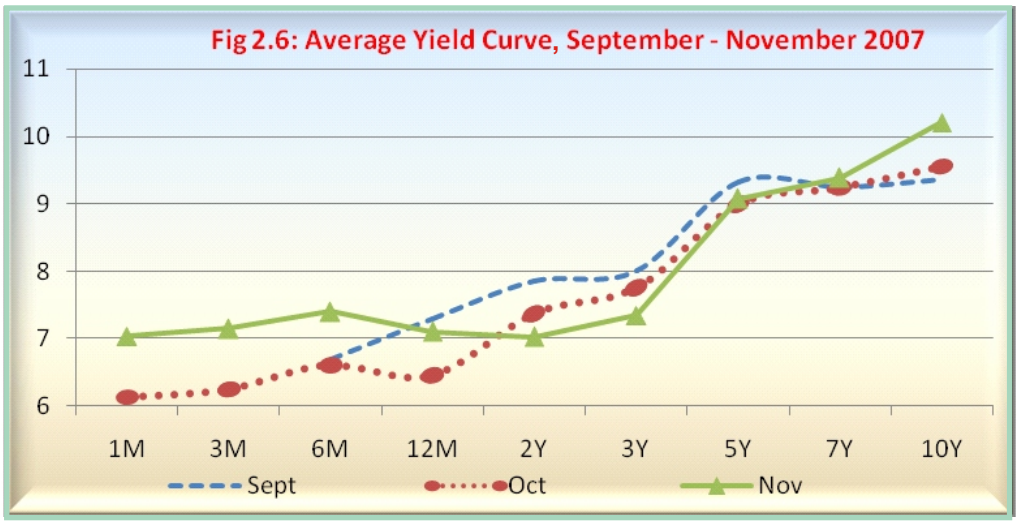
The primary dealer two-way quote on fixed income securities in the secondary market commenced in April 2007 with six maturities, which offered more arbitrage opportunities. This arose out of the need to develop a yield curve that would serve as a benchmark for the risk-free rate and the pricing of other securities, investors' reference point for forecasting interest rate as well as a possible leading indicator for economic activities.

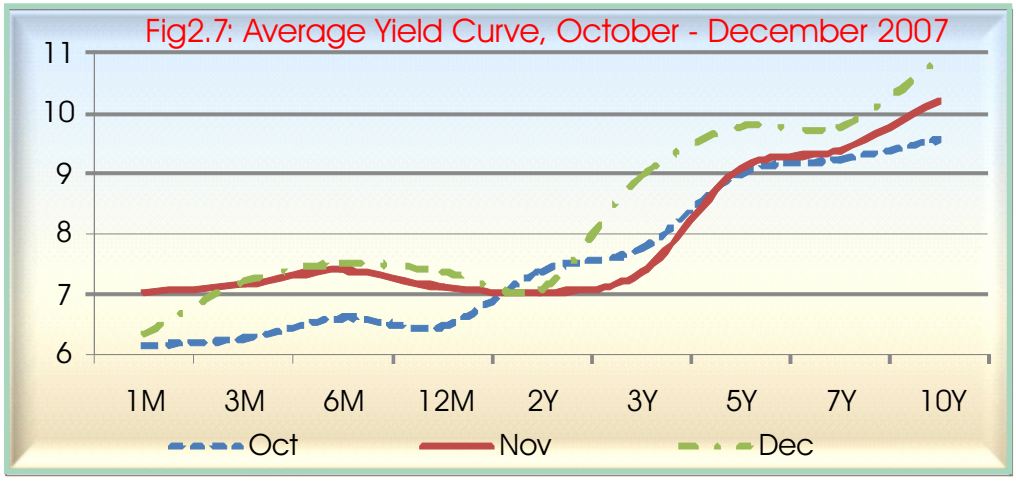
The average yield curve in April 2007 was typically upward sloping. However, beyond the five-year maturity, the curve showed a steeper slope, reflecting investors' expectation of higher returns and the impact of risk premium on longer term bonds. Following the downward review of the MPR in June, the yield



curve responded at the long end in July as it rotated slightly upwards about its short end which anchored at 6.0 per cent. The upward review of the MPR in October resulted in the movement of the average yield curve in November. While both the short end and long end of the curve were pulled upwards, the mid segment of the curve hovered between 7.0 and 7.5 per cent in November, 2007. This clearly showed investors concern about the short-term and long-term expectations rather than the medium term. Furthermore, the aggressive sale of NTBs by the CBN elicited lower prices and higher yield for the securities and, thus, upward rotation of the curve at the short end. A further increase in MPR in December 2007, produced a similar effect on the yield curve. Overall, the average yield curve remained normal (upward sloping) throughout the year.







2.1.4 Payments, Clearing and Settlement Developments

2.1.4.1 Institutional Arrangements

The Nigerian payments landscape improved further in 2007 with the continued reform of the settlement and payments arrangements. In order to enhance the efficiency of the cheque clearing system and with the full implementation of the cheque standard, the Bank granted approval to Oceanic Bank as an additional settlement bank during the year. The CBN worked towards harmonizing local and up-country clearing by reducing the up-country clearing cycle to T + 3 from T + 5, while local clearing remained at T + 2. Furthermore, the Bank accredited another cheque printer during the year, thus bringing the number in the country to twelve (12). Moreover, the CBN directed banks to integrate their banking applications with the Nigerian Automated Clearing System (NACS) infrastructure. In addition, the Bank upgraded the Magnetic Ink Character Recognition (MICR) workstations in all its branches. Also, the electronic bulk payment of salaries of Ministries, Departments and Agencies (MDAs) of the Federal Government commenced, while the DMBs continued to deploy more Automated Teller Machines (ATMs). These developments enhanced public confidence in the use of other means of payments and settlement than cash, as evident in the further decline in the ratio of currency outside bank to broad money supply (M2).

As part of efforts to strengthen the institutional arrangements in the payments system, the National Payments System Vision 2020 was presented to stakeholders at a National Payment System Stakeholders' Forum and the FSS 2020 International Conference in 2007, with a view to sensitising stakeholders and harvesting more ideas.

2.2 CURRENCY AND BRANCH OPERATIONS

2.2.1 Issue of Legal Tender

The Bank continued its currency restructuring programme, with the issuance of the redesigned lower denomination currency (N50, N20, N10, N5 banknotes and N2, N1 and 50 kobo coins) in February. With the N50, N10, and N5 banknotes printed on paper and varnished on both sides, and the N20 banknote on polymer substrate, the redesigned banknotes were expected to be more durable. The launch of the redesigned currency was preceded by a nationwide publicity campaign through the mass media, road shows and community fora to sensitise the public on the rationale for redesigning the currency and the need to respect and handle the naira with care. Consequently, the old denominations of N50, N20, N10 and N5 banknotes ceased to be legal tender effective 1st June 2007 although the DMBs were allowed to deposit the old currency notes with the CBN after that date.

The Bank sustained its clean notes policy as banks that failed to sort their deposits were charged N3,000 per box and the charges debited through the T-24 banking application. Moreover, media campaign against the abuse of the naira was intensified throughout the year. In addition, the Bank's clean notes policy received a boost from Section 21 of the CBN Act, 2007, under which the various forms of abuse of the naira were listed as punishable offences. Offenders, upon conviction are liable to a six-month jail term or N50,000 fine or both. An inter-agency committee comprising the CBN and the security agencies was constituted to implement the legal provision, while media campaign commenced in December 2007 to sensitise the public on the existence of the law and the penalties for non-compliance.

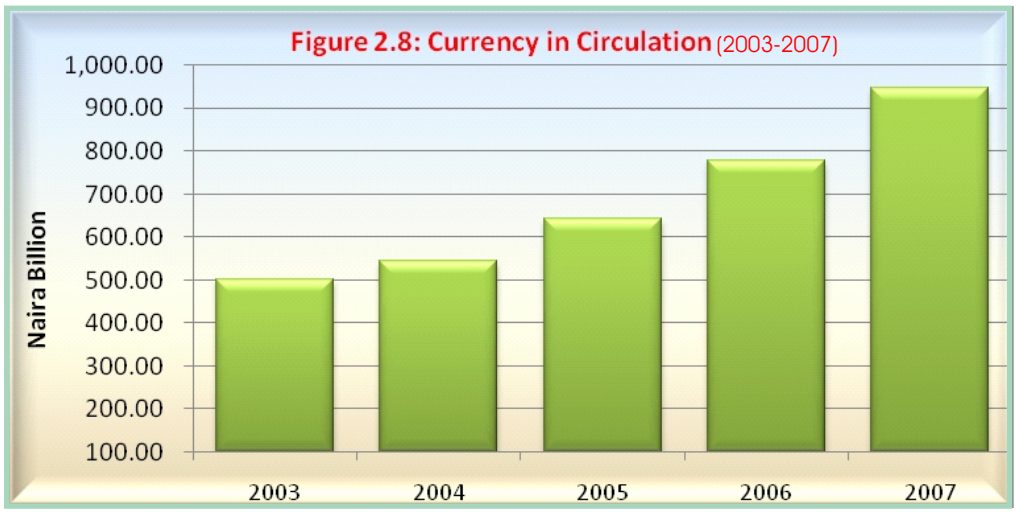
The performance of the Nigerian Security Printing and Minting (NSPM) Plc improved further in 2007. The volume of banknotes produced locally increased from 583.1 million to 1,550 million pieces. The development reflected the comprehensive restructuring and refurbishment of the company, involving the commissioning of a new currency line in the Lagos factory; the installation of four new varnishing machines in Lagos and Abuja; installation of water processing equipment in the Abuja factory, the conversion of the Abuja factory's numbering presses for higher/lower denomination notes production; the face-lift of about 60 per cent of the factory buildings and environment at the Lagos factory; enhancement of the governance structure and the purchase of five (5) new generators for Lagos and Abuja factories. Consequently, capacity utilization of the Abuja factory was 70 per cent while that of Lagos was lower due to the on-going refurbishment.

2.2.2 Currency in Circulation (CIC)

Currency in circulation (CIC) as at end-December 2007 stood at N960.5 billion, an increase of 23.3 per cent, compared with the growth of 21.3 per cent at end-December 2006. The growth in CIC at end year reflected the strong seasonal demand for currency by the public in the fourth quarter of the year, arising from increased economic activities, especially the demand for goods and services for the end-of-year festivities.

Table 2.4: Structure of Currency Circulation

Coins	2006		2007	
	Value (₦ billion)	Volume (million)	Value (₦ billion)	Volume (million)
₦2	-	-	0.164	81.8
₦1	0.45	447.8	0.615	615.3
50k	0.22	437.9	0.369	738.2
25k	0.04	172.5	0.005	19.0
10k	0.01	125.9	0.0002	2.9
1k	0.004	40.9	0.000003	0.008
Sub	0.72	1,225.0	1.13	1457.2
Notes				
₦1000	116.30	116.3	264.4	264.4
₦500	349.20	698.4	353.6	707.2
₦200	222.50	1,112.5	251.3	1,256.5
₦100	66.00	660.1	49.5	494.8
₦50	9.20	184.1	17.6	351.3
₦20	8.90	445.4	16.5	822.9
₦10	3.80	384.3	3.6	355.8
₦5	2.50	496.3	2.9	578.9
Sub	778.30	4,097.4	945.4	4,831.8
Total	779.12	5,322.4	960.5	6,289.0



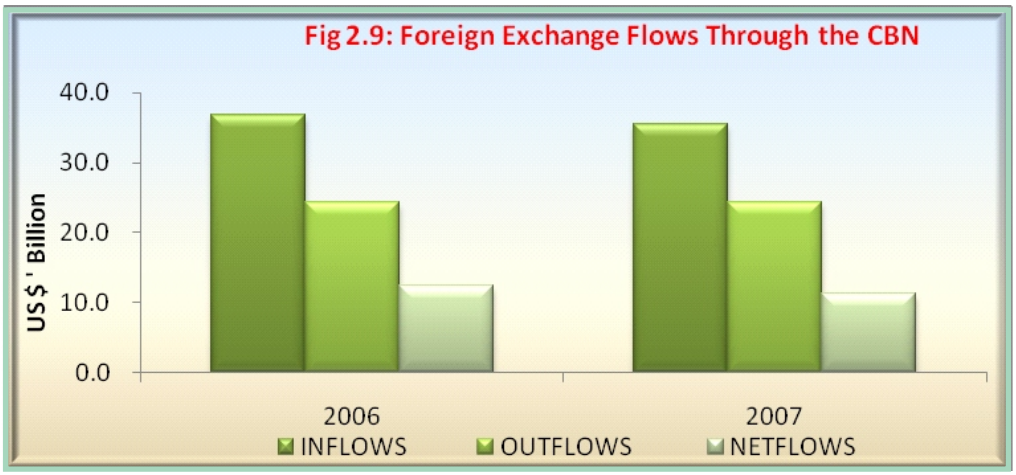
2.3 FOREIGN EXCHANGE MANAGEMENT

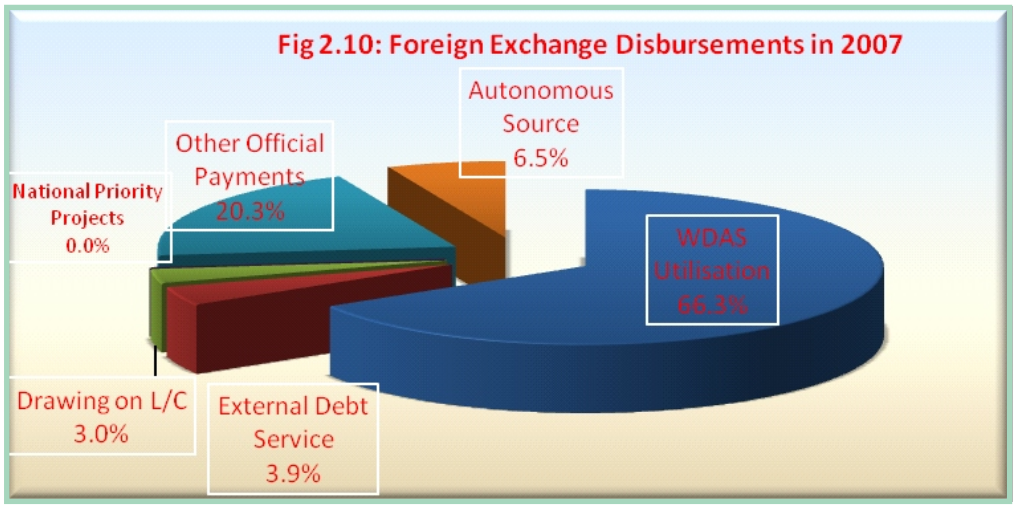
2.3.1 Foreign Exchange Flows

Foreign exchange inflows and outflows through the economy amounted to US$74.05 billion and US$26.04 billion, respectively, compared with US$58.72 billion and US$24.72 billion in the preceding year. This resulted in a net inflow of US$48.01 billion, compared with US$34.00 billion in 2006. Of the total foreign exchange inflows, receipts through the CBN accounted for 48.0 per cent, while the balance was

from autonomous sources. Receipts through autonomous sources rose by 75.0 per cent to US$38.49 billion in 2007. This was largely accounted for by the increase of 78.9 per cent in invisible transactions especially personal home remittances. Non-oil export receipts also grew by 20.6 per cent.

Total inflow of foreign exchange through the CBN fell by 3.2 per cent from the level recorded in 2006 to US$35.56 billion. This was attributable to the escalation of violence in the Niger Delta region which resulted in lower production in the oil sector. The share of the oil sector in total inflow was US$29.34 billion or 39.6 per cent, compared with US$33.14 billion or 56.4 per cent in the preceding year. Total outflow through the CBN, which constituted 82.5 per cent of the aggregate outflow from the economy, increased by 0.1 per cent over the level in the preceding year to US$24.36 billion. The development was as a result of increased funding of the Wholesale Dutch Auction System (WDAS) and Bureaux-de-Change (BDC) segments of the foreign exchange market. Consequently, a net inflow of US$11.20 billion was recorded, compared with US$12.41 billion in the preceding year. Further analysis of foreign exchange utilisation showed that the funding of WDAS and BDC accounted for 67.0 per cent, other official payments 20.0 per cent, external debt services 4.0 per cent and "others" accounted for the balance.





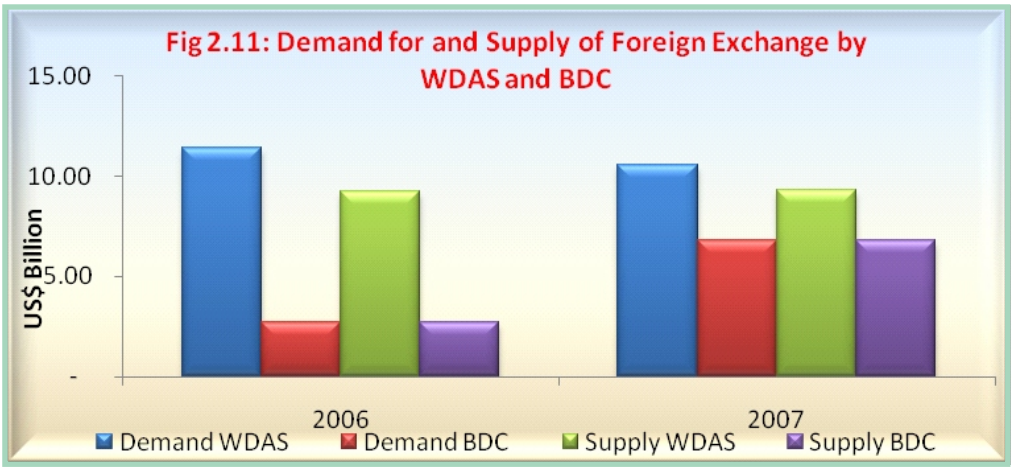
2.3.2 Management of the Wholesale Dutch Auction System (WDAS)

The operation of the foreign exchange market under the WDAS which was introduced in February 2006 with the objective of achieving exchange rate stability and deepening the market was sustained in 2007. Further liberalisation of the foreign exchange market and the effective management of foreign exchange resources engendered efficiency.

2.3.2.1 Demand and Sales of Foreign Exchange

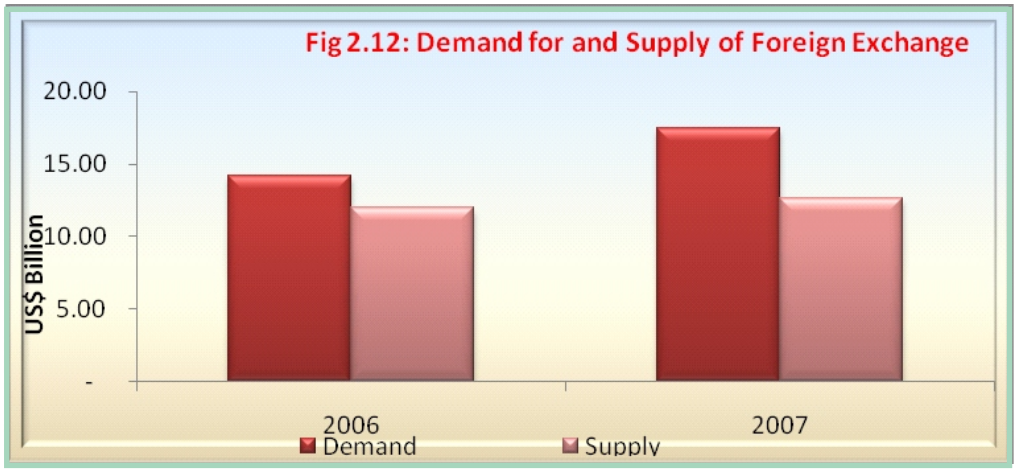
Ninety four (94) auction sessions and one special auction were held under the WDAS, compared with ninety five (95) trading sessions in 2006. The demand for foreign exchange fell at the WDAS window from US$11.45 billion in 2006 to US$10.59 billion in 2007, but increased at the BDC window from US$2.73 billion in 2006 to US$6.84 billion. Aggregate demand for foreign exchange rose by 22.9 per cent above the level in the preceding year to US$17.43 billion in 2007. The surge in demand was occasioned by the bid to pay for oil blocks by some companies and the importation of refined petroleum products by some oil marketing companies. Consequently, the value of foreign exchange sold by the CBN at the WDAS and BDC windows amounted to US$9.33 billion and US$6.84 billion, compared with US$9.27 billion and US$2.73 billion, respectively in the preceding year. Aggregate supply of foreign exchange at the WDAS window and cash sales to the BDCs increased by 5.1 per cent over the level in the preceding year to US$12.61 billion. The robust foreign exchange earnings complemented by substantial capital inflows guaranteed an adequate supply of foreign exchange to the market.

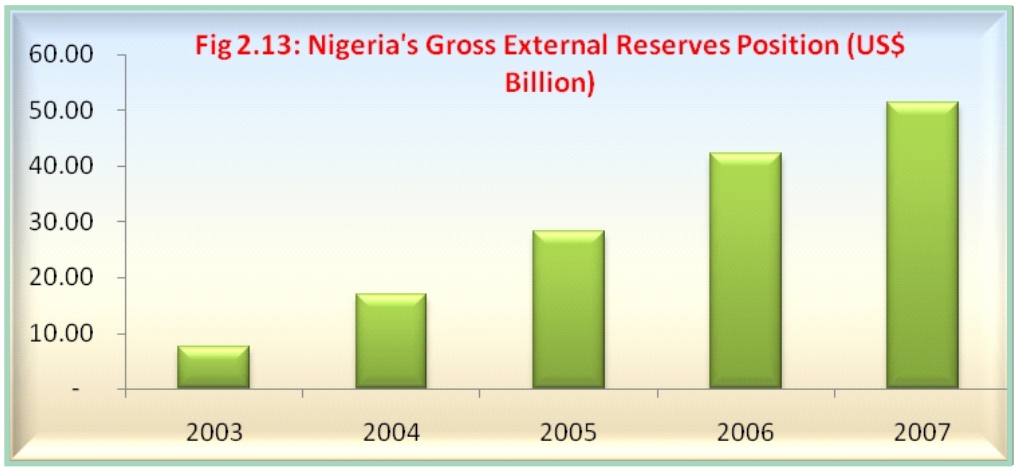
The CBN intervened in the inter-bank market at various times for the purposes of aligning the exchange rate and managing liquidity in the banking system. The interventions resulted in foreign exchange purchases and sales of US$2.30 billion and US$2.02 billion, respectively, compared with the purchases and sales of US$0.62 billion and US$0.70 billion in 2006. Also, foreign exchange swap transactions involving the sum of US$1.04 billion were undertaken at the cost of N0.38 billion, compared with swap of US$0.94 billion at a cost of N0.47 billion in 2006.



2.3.3 External Reserves Management

The management of foreign exchange as reflected in the CBN cash flow statement, revealed that the transactions resulted in a net inflow, translated into an accretion to external reserve. Consequently, Nigeria's gross external reserves at end-December 2007 increased by 21.3 per cent to US$51.33 billion.





In line with the CBN mandate of maintaining a healthy external reserve, the Bank in 2007, concluded and signed the agreements for the appointment of JP Morgan Chase as the Global custodian and nine (9) Asset Managers. Funds were disbursed to the custodian which enabled the asset managers to trade in bonds on behalf of the Bank. The local banks partnering with the Asset Managers have also begun training and international exposure in the foreign banks. The Bank also invested directly in the international bond market while the vendor for the provision of a Portfolio Management System (PMS) for autonomous reserve management operations was appointed.

2.4 SURVEILLANCE REPORT ON THE ACTIVITIES OF FINANCIAL INSTITUTIONS

2.4.1 Banking Supervision

The CBN intensified its supervisory and surveillance activities in the banking sector in 2007. Various approaches were adopted, including regular appraisal and review of banks' periodic returns, spot checks, monitoring and special investigations and risk-based supervision/compliance examination (hybrid). As at end-December 2007, the web-enabled Credit Risk Management System (CRMS) database had an outstanding balance of N2.1 trillion, involving 51,696 borrowers, compared with N1.6 trillion and 48,489 borrowers in the preceding year. This reflected a growing public confidence in the banking system.

Table 2.5: Borrowers from the Banking Sector

Description	2006	2007	Absolute Change	% Change
Total No. of Borrowers	48,489	51,696	3,207	6.61
No. of Borrowers with credits	22,521	23,626	1,105	4.9
No. of Credits/facilities	26,398	28,825	2,427	9.19
Total outstanding balance (N'000)	1,553,401,522	2,127,799,205	574,397,684	36.98

The Bank issued a number of circulars/guidelines to the DMBs, as part of its efforts to promote a safe and sound financial system. These included the following:

- Submission of returns through the e-FASS;
- Guidelines for the development of a risk management framework for individual risk elements in Nigerian banks;
- Guidelines for the appointment of independent directors; and
- Bank mergers and acquisitions.

On-site verification of the banks' post consolidation integration status in 2007 indicated that twelve (12), out of the eighteen (18) banks that needed integration, made substantial progress, while the remaining six (6) banks only achieved modest level of integration.
Investigations were carried out on the activities of fourteen (14) illegal finance companies (FCs) in the country. The implementation of the report of the investigation was being carried out between the CBN, the Securities and Exchange Commission (SEC) and other relevant government agencies. In that regard, the CBN sought and received the cooperation of the Economic and Financial Crimes Commission (EFCC) and that of the Special Fraud Unit (SFU) of the Nigeria Police Force to ensure that the deposits collected from the public by these illegal FCs would be refunded. To further strengthen and reposition the subsector, the Bank collaborated with the Finance Houses Association of Nigeria (FHAN) to develop a framework for the reform and sanitisation of the subsector.

2.4.2 Prudential Examination

Income audits, verification of capital and special investigations were conducted on some banks to check the authenticity of reports/returns to the CBN. Specifically, the examination focused on the level of income and profits in audited accounts, liquid assets as well as the legitimacy of funds used for re-capitalisation.

Available data revealed that three (3) banks failed to meet the statutory minimum CAR of 10.0 per cent as at end-December 2007, compared with one (1) at end-December, 2006. Two (2) banks defaulted on the prescribed minimum liquidity ratio (LR) of 40.0 per cent, compared with three (3) in 2006. The banks that failed to meet the Statutory requirements were sanctioned accordingly.

Prudential examination conducted on the Other Financial Institutions (OFIs) indicated that the number of Primary Mortgage Institutions (PMIs) that met the prescribed minimum paid-up capital requirement of N100.0 million remained at 74, the same as in 2006. Also, 29 PMIs complied with the prescribed minimum mortgage assets to total assets ratio of 30.0 per cent, compared with 35 in 2006. Similarly, fifty-two (52) out of ninety-three (93) PMIs satisfied the prescribed minimum liquidity ratio of

20.0 per cent, compared with sixty-one (61) PMIs in 2006, while sixty-four (64) PMIs met the prescribed minimum capital adequacy ratio of 10.0 per cent, compared with 73 in the preceding year.

2.4.3 Compliance with the Code of Corporate Governance for Banks in Nigeria

The CBN continued to monitor compliance with the provisions of the "Code of Corporate Governance for Banks in Nigeria" through appraisal of the banks' monthly reports on their compliance status as well as periodic on-site verification by the Bank's examiners. The exercise revealed that many of the banks complied with most of the provisions, while some that showed non-compliance were appropriately sanctioned.

2.4.4 Financial Crime Surveillance/Money Laundering

In compliance with the requirements of the Financial Action Task Force (FATF), the CBN embarked on a number of examinations on Anti-Money Laundering/Combating Financing Terrorism (AML/CFT). Some of the problems observed included difficulty in obtaining information on politically exposed persons (P.E.P) and lack of continuous training for staff.

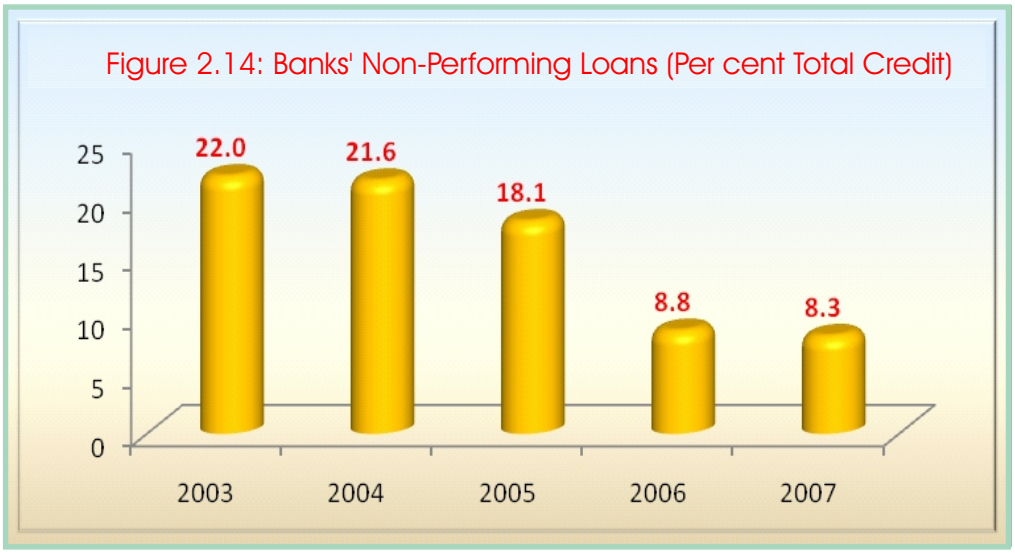
2.4.5 Routine Examination

Following the adoption of risk-based supervision by the CBN in 2007, hybrid examination (a combination of risk based and compliance methods of examination) was conducted on 12 out of the 24 banks in operation. The examination on foreign exchange operations of the banks revealed various infractions, including improper record keeping, incomplete documentation by banks and wrong use of unconfirmed letters of credit. The errant banks were appropriately sanctioned for each of these offences.

2.4.6 Banking Sector Soundness

An assessment of the health of the banking sector showed that the system is sound as indicated by the banks' aggregate ratings. The average Capital Adequacy Ratio (CAR) of the banks was consistently high and above the stipulated minimum of 10 per cent while assets quality as measured by the ratio of non-performing loans to total loans stood at 8.4 per cent at end-December 2007. The industry liquidity ratio was also above the 40 per cent minimum requirement. Bank earnings equally improved in the review period in absolute terms, although the ratio of both the returns on assets and equity declined owing to a phenomenal increase in total assets and capital.

However, the Bank stepped up its surveillance activities in preparation for the full-fledged implementation of Risk-Based Supervision.



2.4.7 Examination of Other Financial Institutions

On-site examination of 377 Community Banks (CBs), 39 Primary Mortgage Institutions (PMIs), 9 Finance Companies (FCs), 12 Bureaux-de-Change (BDCs) and 4 Development Finance Institutions (DFIs) was conducted by the CBN.

The examination of PMIs revealed the inactivity of thirteen (13) licensed PMIs. Regular prudential returns were received from eighty (80) PMIs, compared with eighty-two (82) in 2006, while eighteen (18) PMIs were penalized for late or non-rendition of returns and audited accounts.
Of the nine (9) FCs examined in 2007, the major regulatory issues observed were undercapitalization, overtrading, high incidence of loan default and poor loan recovery. Others were low liquidity, poor level of earnings and high expenditure profile.

On-site examination was carried out on 4 out of the 5 DFIs. These included the Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB), the Federal Mortgage Bank of Nigeria (FMBN), the Bank of Industry (BOI) and the Nigerian Export-Import Bank (NEXIM). The examination revealed, among other things, overdependence on equity in funding operations, deteriorating assets quality as well as weak corporate governance in some of the DFIs.

2.5 DEVELOPMENTAL FUNCTIONS OF THE CBN

2.5.1 Agricultural Credit Guarantee Scheme Fund (ACGSF)

A total of 43,233 loans valued at N4.93 billion were guaranteed in 2007, thus bringing the total loans guaranteed since the inception of the ACGSF in 1978 to 540,925 valued at N19.34 billion. Analysis of the loans guaranteed by states showed that Kwara State received the highest, valued at N413.0 million (9.3 per cent), followed by Zamfara and Kebbi States with N298.1 million (6.7 per cent) and N220.3 (5.0 per cent), respectively. In terms of number, Zamfara State received the highest with 4,783 loans (11.3 per cent) followed by Kwara State with 4,270 loans (9.9 per cent). Kebbi State came third with 3,906 loans (9.0 per cent). On the basis of utilisation by purpose, food crops accounted for 479,368 loans valued at N16.41 billion, livestock 24,036 loans valued at N1.79 billion, fisheries 5,449 valued N0.44 billion, cash crop 14,487 loans valued at N0.33 billion, mixed farming 1,185 loans valued at N0.065 billion and others 16,400 loans valued N0.31 billion.

The number and value of recovered loans stood at 35,794 valued N2.86 billion. In this regard, Kano State had the highest number of repaid loans at 5,451 (15.2 per cent) valued N292.4 million (10.1 per cent); followed by Kwara State with 4,267 repaid loans (11.9 per cent) valued N301.9 million (10.6 per cent). Kebbi State came third with 2,693 repaid loans (7.5 per cent) valued N136.2 million (4.8 per cent). In terms of claims settlement, 165 claims on ACGSF valued N23.3 million were settled, indicating increases of 7.4 and 77.2 per cent by number and value, respectively over the levels in 2006. A breakdown of guaranteed loans by banks showed that 21 banks made up of 11 DMBs and 10 CBs participated in the scheme in 2007.

Table 2.6: Distribution of Loans under the ACGSF in 2007 by Value

Category	Volume	Value in N' million
N20,000 and below	3,212	560.13
N20,001-N50,000	15,334	640.0
N50,001-N100,000	13,133	1,110.0
Above N100,000	11,554	2,620.0
Total	43,233	4,930.13

2.5.2 The Trust Fund Model (TFM)

In 2007, the Bank signed a Memorandum of Understanding (MOU) with the Akwa Ibom State Ministry of Women Affairs and the Kolping Society of Nigeria, Abia State, thus bringing the total number of signed MOUs and pledges under the TFM to nineteen (19). The Bank also monitored the compliance of stakeholders, with the MOUs on the TFM. The stakeholders covered included multinational oil companies, state governments and individual organisations.

2.5.3 Operations of the Agricultural Credit Support Scheme (ACSS)

Returns from DMBs indicated that out of 18 applications recieved by banks valued at N6.32 billion, 17 valued at N6.02 billion were approved and forwarded to the CBN for verification for rebate. Actual disbursements by banks to 13 projects approved for rebate were valued at N4.34 billion. In 2007, a total of thirty-eight projects valued at N9.86 billion were verified by the CBN under the scheme, thus bringing the total number of projects verified since the inception of the scheme to 96 valued at N18.74 billion. Of this number, thirteen (13) were recommended for interest rebate worth N469.63 million.

2.5.4 Microfinance and Commodity Development in Nigeria

A two-day training workshop was organised by the CBN for licensed Microfinance Banks, converting Community Banks (CBs) with provisional approvals and approvals-in-principle and transforming non-governmental organizations, as part of the Bank's continuing effort to build capacity in the microfinance industry. The workshops, which were organised in Kaduna, Ibadan and Owerri specifically focused on governance, staffing, management information system, financial analysis and product development. In 2007, the Bank approved the commencement of the pilot phase of the Entrepreneurship Development Centres (EDCs) at Kano, Onitsha and Ota.

Table 2.7: Performance under the Trust Fund Model (TFM) – December, 2007

	Name of Stakeholder	Amount Placed/Pledged (₦m)	Partner Bank	Date MOU was Signed	Other Remarks
A.	Multinational Oil Companies				
1.	SPDC MSCARD {Shell Petroleum Co.}	5.00	FBN/FIB	2001	Pioneer program {Now suspended}
2.	Agip Green Card {Agip Oil Company}	10.00	UBA	2003	Increased by N5.0m. To increase annually subject to performance.
3.	Total Card {Total Oil Company}	40.00	UBA	2004	Increased by N20.0m
B.	State Governments				
4.	Jigawa State Government	50.00	FBN, PHB & Unity Banks	2002	Nil
5.	Kogi State Government	180. 00	FBN/14 Community Banks	27/11/03	Reviewed on 22/8/05
6.	Nasarawa State Government	10. 00	FBN	19/2/04	Nil
7.	Katsina State Government	500. 00	FBN, Unity, PHB, First Inland	1/6/04	Nil
8.	Ondo State Government	100. 00	Spring Bank	15/6/04	Nil
9.	Benue State Government	15.00	PHB.	27/6/05	Nil
10.	Kaduna State Government	50.00	UBA Plc	7/6/05	Nil
11.	Kwara State Government	63.00	UBA Plc	10/8/2005	Nil
12.	Kebbi State Government	100.00	UBN	7/9/05	To increase to N250.00m
13.	Ogun State Government	50.00	FBN	2005	Nil
14.	Cross River State Government	100.00	UBA, UBN, FBN	12/1/2006	Pledged to increase to N250.0m
15.	Osun State Government	40.00	UBA, CBN	3/8/2006	Yet to be placed.
16.	Oyo State Government	100.00	Spring Bank	21/09/2006	Nil
17.	Akwa Ibom Women Ministry	7.00	UBN	2007	Nil
C.	Individuals/Organisations				
18.	Kolping Society of Nigeria, Abia State.	20.00	Fidelity/Zenith	18/12/2007	Nil
19.	CASPAN – Cassava Producers Association of Nigeria, Abuja {a Non-Governmental Organization}	4.00	Fidelity/Zenith Banks	2005	Nil
	TOTAL	N1.494	19 Stakeholders		

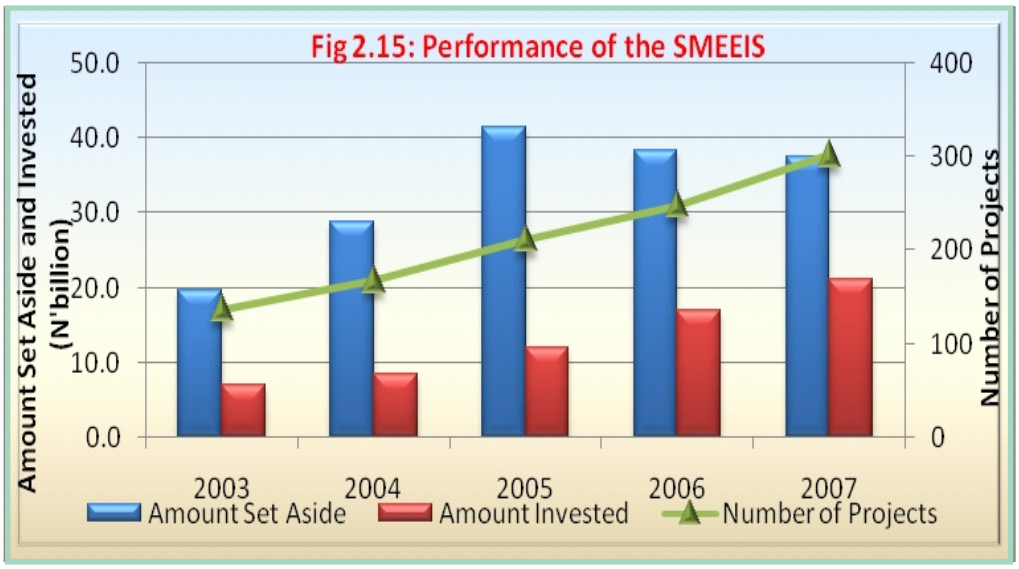
The Bank also organised a nationwide workshop for members of the National Youth Service Corps (NYSC) and other stakeholders on the developmental programmes, schemes and initiatives of the Bank. The 23rd annual conference of the Development Finance Officers of the Bank was held in Bauchi, Bauchi State from 1st to 3rd November, 2007 with the theme "Implications of Financial Sector Reforms on Sustainable Financing of the Real sector". The conference attracted participants from banks, development finance institutions, microfinance banks, insurance companies and other relevant non-governmental institutions and government agencies.

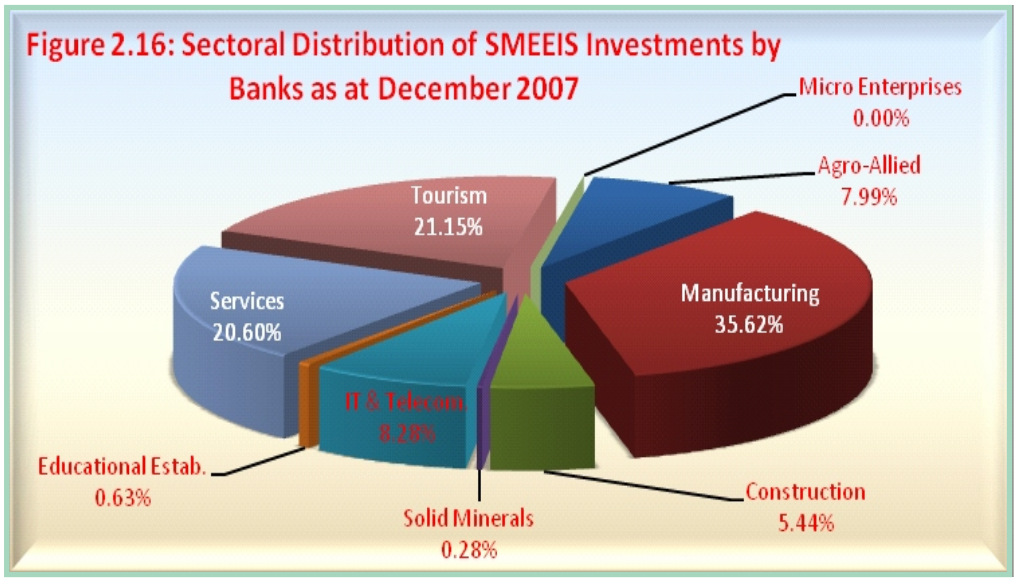
2.5.5 Small and Medium Enterprises Equity Investment Scheme (SMEEIS)

The cumulative sum set aside by banks as at end-December 2007, stood at N42.02 billion, compared with N38.2 billion at end-December 2006. This represents a net increase of N3.82 billion after the post consolidated audited accounts of the banks in 2007, despite the initial debit of N0.8 billion in respect of the failed/liquidated banks. However, the cumulative investment by banks increased from N18.1 billion as at end-December 2006 to N24.7 billion as at end-December 2007, representing an increase of N6.6 billion (or 36.5 per cent) and utilization rate of 66.0 per cent of the amount set aside. The number of projects that benefitted from the scheme also increased from 258 to 327 in 2007.

Analysis of investments showed that the real sector (manufacturing 35.6 per cent, agro-allied 8.0 per cent, construction 5.4 per cent and solid minerals 0.3 per cent) received N10.4 billion in 188 projects, up from N9.0 billion in 160 projects in 2006. Investments in the real sector represented 52.8 per cent of total sum invested by banks. The services subsector accounted for the balance, valued at N8.0 billion (47.2 per cent) in 88 projects.

Analysis of investment according to geographical spread showed that the largest investment of N10.35 billion or 49.0 per cent of total in 169 projects (56.0%) was recorded in Lagos State, followed by Ogun State with N1.67 billion or 7.9 per cent of total in 23 projects (7.6%). Oyo State came third with N0.43 billion or 2.1 per cent of total in 17 projects (5.6%). As at end-2007, the number of States without SMEEIS investments remained at 12. Cross River State with N3.14 billion in 6 projects registered the highest single investment (TINAPA) valued N2.90 billion, financed by ten banks.





2.5.6 Africa Finance Corporation (AFC)

The modest progress recorded in 2006 by the Africa Finance Corporation (AFC) was sustained in 2007 through the issuance US$1.0 billion equity capital of one (1) billion ordinary shares at the par value of US$1 each. Furthermore, US$890 million was committed by private sector shareholders in the corporation while the CBN provided a residual capital of US$462 million, which would be drawn down within five years of operation. The President/Chief Executive Officer of the AFC assumed duty on 16th April, 2007. The corporation also recruited Executive Directors and some heads of units and commenced pre-operational activities during the year.