

CENTRAL BANK OF NIGERIA



Annual Report And Statement of Accounts

FOR THE YEAR ENDED
31ST DECEMBER, 2006

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**FOR THE YEAR ENDED
31ST DECEMBER, 2006**

**Central Bank of Nigeria
Corporate Head Office
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Vision

To be one of the most efficient and effective world's central banks in promoting and sustaining economic development.

Mission

To be proactive in providing a stable framework for the economic development of Nigeria through the effective, efficient and transparent implementation of monetary and exchange rate policy and management of the financial sector.

BOARD OF DIRECTORS

AS AT 31ST DEC., 2006.



PROF. CHUKWUMA C. SOLUDO, CFR
Chairman of the Board



PROF. AKPAN H. EKPO
Director



MR. ERNEST C. EBI
Deputy Governor



MALLAM DAHIRU MUHAMMAD
Director



CHIEF JOSHUA O. OMUYA
Director



DR. OBADIAH MAILAFIA
Deputy Governor



PROF. SAMUEL O. OLOFIN
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Director



DR. SHAMSUDEEN USMAN
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AKINLOSE S. ARIKAWÉ
Director



ALHAJI U. B. GIREI
Secretary to the Board

MEMBERS OF THE BOARD OF DIRECTORS OF THE BANK AS AT 31ST DECEMBER, 2006

1.	Chukwuma C. Soludo	-	<i>Governor (Chairman)</i>
2.	Ernest C. Ebi	-	<i>Deputy Governor (Corporate Services)</i>
3.	Obadiah Mailafia	-	<i>Deputy Governor (Economic Policy)</i>
4.	Tunde Lemo	-	<i>Deputy Governor (Financial Sector Surveillance)</i>
5.	Shamsuddeen Usman	-	<i>Deputy Governor (Operations)</i>
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11.	Joshua O. Omuya	-	<i>Director</i>
	Umaru B. Girei	-	<i>Secretary to the Board</i>

MEMBERS OF THE COMMITTEE OF GOVERNORS OF THE BANK AS AT DECEMBER 31, 2006

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3.	Obadiah Mailafia	-	<i>Deputy Governor (Economic Policy)</i>
4.	Tunde Lemo	-	<i>Deputy Governor (Financial Sector Surveillance)</i>
5.	Shamsuddeen Usman	-	<i>Deputy Governor (Operations)</i>
	Umaru B. Girei	-	<i>Secretary</i>

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14.	-	<i>Research & Statistics</i>

- | | | |
|-----------------------------|---|------------------------|
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| Anthony O. Olatujoye | - | Legal Adviser |

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- | | | |
|-------------------------|---|--------------------------------|
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- | | | |
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LIST OF ABBREVIATIONS AND ACRONYMS

AACB	Association of African Central Banks
AIT	Africa Independent Television
AfDB	African Development Bank
AMCP	African Monetary Cooperation Programme
APRM	Africa Peer Review Mechanism
ATM	Automated Teller Machine
AU	African Union
BA	Bankers' Acceptances
BDC	Bureaux de Change
BOI	Bank of Industry
BWIs	Bretton Woods Institutions
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
CAMEL	Capital Adequacy, Asset Quality, Management, Earnings and Liquidity
CAR	Capital Adequacy Ratio
CBN	Central Bank of Nigeria
CBP	Capacity Building Programme
CBs	Community Banks
CEPR	Centre for Economic Policy Research
CIC	Currency in Circulation
CIT	Companies Income Tax
COBEC	Code of Business Ethics and Conduct
COPAL	Cocoa Producers' Alliance
CPI	Consumer Price Index
CPs	Commercial Papers
CRMS	Credit Risk Management System
CRR	Cash Reserve Requirement
CSCS	Central Securities Clearing System
CWI	Core Welfare Indicators
DAS	Dutch Auction System
DFIs	Development Finance Institutions
DLF	Direct Lending Facilities
DMBs	Deposit Money Banks
DMO	Debt Management Office
EBP	Electronic Budgeting and Planning
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
EEG	Export Expansion Grant
e-FASS	Electronic Financial Analysis and Surveillance System
EFCC	Economic and Financial Crimes Commission
e-Money	Electronic Money
EMS	Enterprise Management and Security
EOHSI	Environmental and Occupational Health Science Institute
ERP	Enterprise Resource Planning
FAO	Food and Agriculture Organization
FCs	Finance Companies
FCT	Federal Capital Territory

FGN	Federal Government of Nigeria
FITC	Financial Institutions Training Centre
fob	Free on Board
G-24	Group of twenty four (24) developing countries
GDP	Gross Domestic Product
HGSFHP	Home-Grown School Feeding and Health Programme
HIPCs	Highly Indebted Poor Countries
IACO	Inter African Coffee Organisation
IAS	International Accounting Standard
IBRD	International Bank for Reconstruction and Development
ICCO	International Cocoa Organization
ICO	International Coffee Organization
IDA	International Development Assistance
IDMS	Integrated Document Management System
IFAD	International Fund for Agricultural Development
IFT	Inter-bank Funds Transfer
IMF	International Monetary Fund
IPOs	Initial Public Offers
IPPA	Investment Promotion and Protection Agreement
IPPs	Independent Power Plants
IST	Investment and Securities Tribunal
ITU	International Telecommunication Union
JSE	Johannesburg Stock Exchange
JVC	Joint Venture Cash Calls
KYC	Know Your Customer
LVIFT	Large Value Inter-bank Funds Transfer
mbd	Million barrels per day
MDGs	Millennium Development Goals
MFBs	Microfinance Banks
MHTF	Millennium Hunger Task Force
MICR	Magnetic Ink Character Recognition
MOU	Memorandum of Understanding
MRR	Minimum Rediscount Rate
NACRDB	Nigerian Agricultural, Cooperative and Rural Development Bank
NACS	National Automated Clearing System
NAERLS	National Agricultural Extension Research Liaison Service
NAFDAC	National Agency for Food, Drug Administration and Control
NAICOM	National Insurance Commission
NAPIMS	National Petroleum Investment Management Services
NAPRI	National Animal Production Research Institute
NBS	National Bureau of Statistics
NDIC	Nigeria Deposit Insurance Corporation
NEEDS	National Economic Empowerment and Development Strategy
NEPAD	New Partnership for Africa's Development
NEXIM	Nigerian Export-Import Bank
NGOs	Non-Governmental Organizations
NICPAS	Nigerian Cheque Printers Accreditation Scheme
NMFCC	National Microfinance Consultative Committee
NNPC	Nigerian National Petroleum Corporation
NPC	National Population Commission

NPI	National Programme on Immunization
NPSC	National Payments System Committee
NSE	Nigerian Stock Exchange
NSPFS	National Special Programme for Food Security
NTA	Nigerian Television Authority
NSPM	Nigerian Security Printing and Minting Plc
NTCF	Nigeria Technical Cooperation Fund
ODA	Overseas Development Assistance
OBB	Open Buy Back
OFIs	Other Financial Institutions
OMO	Open Market Operation
OPEC	Organization of Petroleum Exporting Countries
PHCN	Power Holding Company of Nigeria
PIR	Process Improvement and Redesign
PMIs	Primary Mortgage Institutions
POS	Point of Sale
PPT	Petroleum Profit Tax
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
RBDAs	River Basins Development Authorities
RTEP	Root and Tuber Expansion Project
RTGS	Real Time Gross Settlement
SAMMDRA	South African Medicines and Medical Devices Regulatory Agency
SEC	Securities and Exchange Commission
SF	Stocking Facilities
SITC	Standard International Trade Classification
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
SON	Standard Organization of Nigeria
SSC	South - South Cooperation
SPDC	Shell Petroleum Development Company
TCs	Travellers' Cheques
TFM	Trust Fund Model
UAT	User Acceptance Test
UNECA	United Nations Economic Commission for Africa
UNICEF	United Nations Children's Fund
USFDA	United States Food and Drug Agency
VAT	Value Added Tax
WACB	West African Central Bank
WAFSA	West African Financial Supervisory Agency
WAIFEM	West African Institute for Financial and Economic Management
WAMA	West African Monetary Agency
WAMZ	West African Monetary Zone
WDAS	Wholesale Dutch Auction System



PROF. CHUKWUMA C. SOLUDO, CFR

Governor, Central Bank of Nigeria





STATEMENT BY THE GOVERNOR

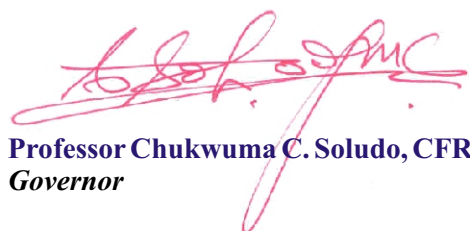
1. *I* am happy to present the *Annual Report and Statement of Accounts* of the Central Bank of Nigeria (CBN) for the year ended December 31, 2006. This is the third report since I assumed office as Governor, and I am glad to observe that the quality of both the Annual Report and the services of the CBN have continued to improve since then.
2. *D*uring the year, the CBN witnessed several important changes at the governance and institutional levels. At the Board level, Mr. Akinlose S. Arikawe, Permanent Secretary, Federal Ministry of Finance replaced Chief Olusegun O.O. Ogunkua as a non-executive Director, representing the Federal Ministry of Finance on the Board of the CBN. While appreciating Chief Ogunkua's immense contributions to the Board, it is my pleasure to warmly welcome Mr. Arikawe to the Board. Given his wealth of experience, the Board of the CBN can only be better for it.
3. *T*he CBN as an institution is getting more effective and efficient in the performance of its statutory mandate. The Bank's institutional re-engineering project (code named 'Project EAGLES') has continued to be vigorously implemented during the year. In particular, the full deployment of the various ICT applications in the operations of the Bank has dramatically changed our operational procedures and greatly improved our efficiency.
4. *A*s an institution, we have remained focused on our core mandate and during the year, achieved most of the monetary policy targets as well as those under the IMF Policy Support Instrument (PSI). Inflation moderated to single digit; exchange rate liberalization led to breaking a 20 year-old jinx in terms of achieving a convergence between the parallel and the official market exchange rates; stability of the exchange rate was maintained for the third consecutive year; money market interest rate volatility was eliminated at year end with the introduction of the interest rate corridor and the Monetary Policy Rate (MPR); major improvements in the efficiency of the payments system continued during the year; external reserves soared to an all time high of about \$43 billion; and Nigeria fully exited the Paris Club debt.
5. *T*he year 2006 was the first post-consolidation year of the banking sector. A total of 14 banking licenses were withdrawn from banks that could not survive the recapitalization exercise, but the remaining 25 banks that emerged from the exercise remained the soundest and safest the banking system has ever been in Nigeria's history. The growth of these banks within the year was simply phenomenal, making the Nigerian banking system the fastest growing in Africa, and one of the fastest growing in the world.
6. *D*espite the huge successes recorded in 2006, many challenges still remained. At the institutional level, key challenges pertained to the ongoing restructuring under the Project EAGLES; full integration of the various software deployed during the year; staff training and review of the staff welfare package,

and the challenge of effective supervision of 25 larger banks. At the industry level, many banks faced the challenge of post-merger integration but the banks have coped very well in this regard. The currency restructuring which was commenced in 2006 was due to be completed in 2007, and the ongoing restructuring of the Nigeria Security Printing and Minting (NSPM), Plc is expected to be completed in 2007. The Central Bank is still challenged in the performance of its core mandate of ensuring price stability, and it is expected that the amendment of the CBN Act pending at the National Assembly would address several of the defects in the existing law.

7. *W*e expect to address these challenges in 2007. In particular, we expect that the launch of the Financial System Strategy 2020 (FSS 2020) and the completion of the amendment to the CBN Act would give the CBN added impetus to deliver on its core mandate, and be one of the most effective Central Banks in the world.

8. *F*inally, let me sincerely thank members of the Board, Management, and Staff of the Central Bank for their dedication, hard work, and cooperation during the year. We have all demonstrated during the year that only a team that works together wins together. I look forward to the strengthening of this team spirit in the years ahead. Also, let me thank the President and Commander-in-Chief of the Armed Forces, Chief Olusegun Obasanjo, GCFR, and the members of the National Assembly for their unflinching support during the year. Many thanks are also due to the members of the Bankers' Committee for their cooperation. I sincerely also wish to thank the staff of the Presidency, members of the Federal Executive Council, members of the press, our Development Partners, members of the organized private sector, and indeed all the stakeholders of the Nigerian economy for their support and cooperation during the year. We will continue to count on all of you in the years ahead, especially your advice and guidance.

9. *M*ay God continue to bless the Central Bank of Nigeria, and the Federal Republic of Nigeria.

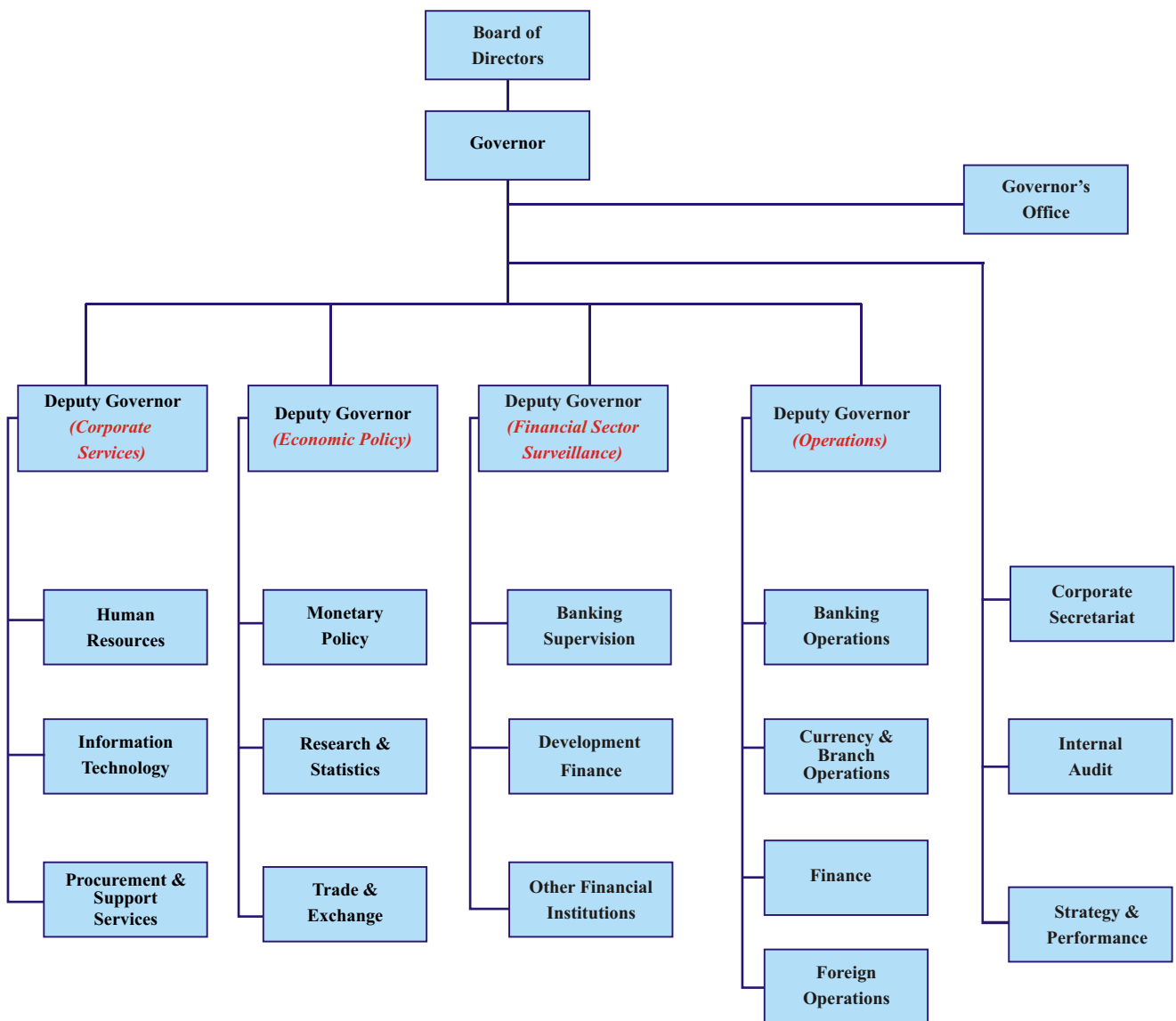


Professor Chukwuma C. Soludo, CFR
Governor

April 2007

Figure 1.1

Organizational Structure of the CBN as at December 31, 2006



CENTRAL BANK OF NIGERIA

ANNUAL REPORT AND STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER, 2006

EXECUTIVE SUMMARY

1. This Report reviews the operations of the Central Bank of Nigeria (CBN) and macroeconomic developments during the fiscal year 2006 and appraises the major economic policy outcomes during the period.
2. It is structured into two parts. Part I examines the corporate operations of the Bank, focusing on monetary, financial, foreign exchange and developmental activities, as well as organizational reforms that took place during the year. In part II, the Report evaluates the performance of the Nigerian economy and the impacts of international economic and financial developments on the economy in 2006. Overall, there are eight chapters in the Report, the highlights of which are described below.

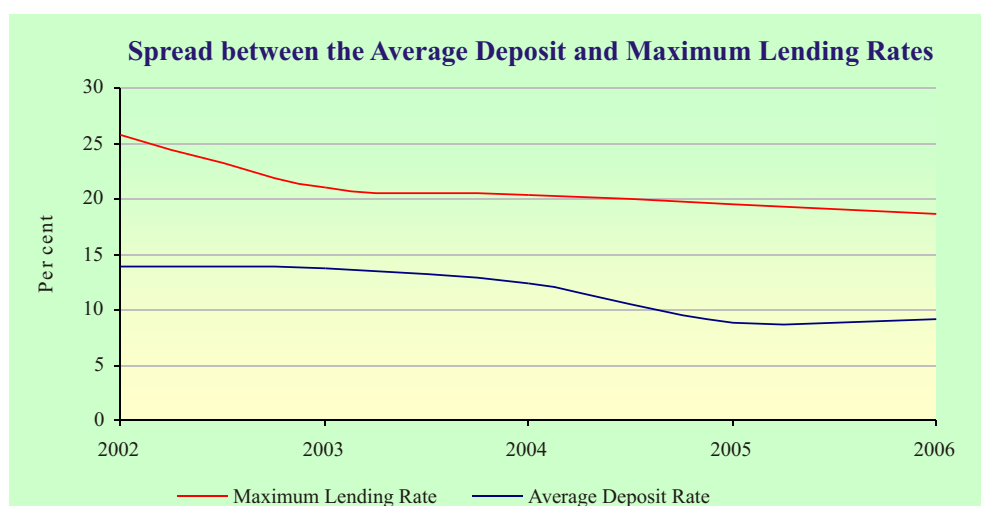
CORPORATE ACTIVITIES

The CBN Board and Other Committees

3. The structure of the Board of Directors remained unchanged since its reconstitution in November 2005. However, Akinlose S. Arikawe replaced Olusegun O.O. Ogunkua as Permanent Secretary, Federal Ministry of Finance and Member, Board of Directors. The Board held five (5) regular meetings and one (1) emergency meeting in 2006. The Committee of Governors also held 17 meetings, while the Governors' Consultative Committee held eleven (11) regular meetings and one (1) emergency meeting. The Committee of Departmental Directors held twelve (12) regular meetings and one (1) emergency meeting, while the Audit Committee of the Board held three (3) regular meetings. The Monetary Policy Committee held four (4) regular meetings to review developments in the economy and to take appropriate monetary policy measures.

MONETARY POLICY, SURVEILLANCE ACTIVITIES AND THE OPERATIONS OF THE CBN

4. The monetary policy framework, which is anchored on monetary targeting, remained unchanged in 2006. The main policy thrust was to contain the surging domestic liquidity in order to achieve price stability, promote an efficient money market and ensure non-inflationary growth. Relative macroeconomic stability was



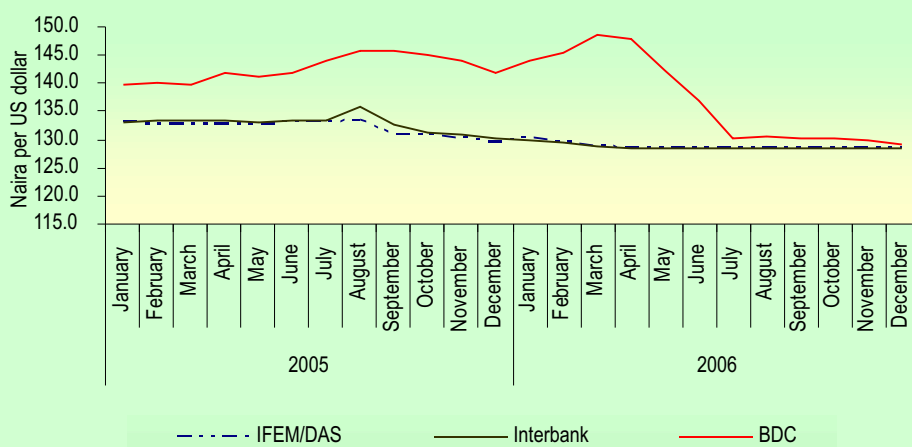
achieved, due largely to the non-accommodating monetary policy which was complemented by the prudent fiscal operations of the Federal Government. Excess liquidity, occasioned by the enhanced statutory allocations to the three tiers of government, the monetization of part of the excess crude revenue, the population census and pre-election spendings, characterized the banking system throughout the year. This posed a great challenge to monetary policy implementation and was addressed through the introduction of non-discountable special Nigerian Treasury Bills (NTBs), the proactive use of reverse repo transactions by the CBN, and the aggressive sale of foreign exchange including the use of foreign exchange swaps. During the year, the Bank adjusted its policy rate upwards by 100 basis points to 14.0 per cent in June. However, the cash reserve requirement (CRR) was reduced from 5.0 per cent to 3.0 per cent towards the end of the year and banks were required to invest the freed reserve balances in the Special NTBs. Also, a new framework for monetary policy implementation, which emphasizes the use of a short-term interest rate as the operating target, was introduced on December 11, 2006. Thus, the Minimum Rediscount Rate (MRR), which previously served as the nominal anchor for interest rates in the economy, was replaced with the Monetary Policy Rate (MPR). The new framework was aimed at ensuring stability in short-term interest rates to engender efficient liquidity management and encourage inter-bank trading. The MPR was fixed at 10 per cent with a corridor of 600 basis points, 300 basis points on each side of the MPR, for the upper and lower limits. Thus, the lending facility to DMBs at the CBN attracted 13.0 per cent, while deposits with the CBN attracted 7.0 per cent. The outcomes of these policy measures included stability in the inter-bank market rates, a decline in lending rates and the modest narrowing of the spread between the maximum lending and average deposit rates.

5. Arising from the unexpected surge in the demand for currency, coupled with the usual seasonal high demand towards the end of the year, the Bank was unable to meet the target for base (reserve) money set under the Policy Support Instrument (PSI). The Policy Support Instrument (PSI) is the voluntary monitoring programme of the International Monetary Fund (IMF) with Nigeria. The PSI established quantitative targets for Reserve money, currency and bank deposit. Aggregate bank credit (net) to the domestic economy fell by 65.0 per cent, reflecting the substantial decline in credit to the Federal Government. Credit to the private sector grew by 28.2 per cent, compared with the target of 30.0 per cent.

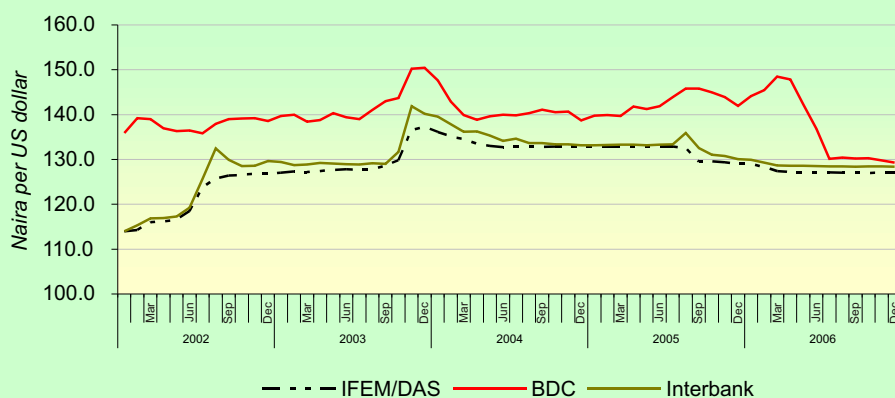
6. The surveillance activities of the Bank showed that the health of the financial system improved as no bank was rated unsound in 2006. However, incidents of poor record-keeping and non-rendition of returns in the Other Financial Institutions sub-sector persisted.

7. The foreign exchange market was generally stable in 2006 and, for the first time in two decades, convergence of rates across the three segments of the market was achieved, particularly from the third quarter of 2006. In the same vein, the premium between the exchange rate of the Naira vis-à-vis the US dollar in the IFEM/DAS and BDC segments of the market, narrowed considerably from N19.75/US\$ or 15.35 percent and N19.38/US\$ or 15.09 percent in March and April 2006 to N1.02/US\$ or 0.80 percent by December 2006. The CBN adopted the Wholesale Dutch Auction System (WDAS) on February 27, 2006, in an effort to make foreign exchange management more efficient and effective. During March and April 2006, the Bank announced a fundamental policy shift with a further liberalization of the foreign exchange market that entailed significant removal of restrictions/controls with respect to the demand and supply of foreign exchange. The liberalization entailed greater and freer access to foreign exchange by users and increased supply of foreign exchange to the market. As a consequence, the demand pressure moderated significantly while the rates in the three (3) segments of the foreign exchange market (IFEM/DAS, Inter-bank, and Bureaux de Change (BDC)), appreciated (much more dramatically in the BDC segment).

Exchange Rate of the Naira vis-a-vis the US Dollar (Monthly Average)

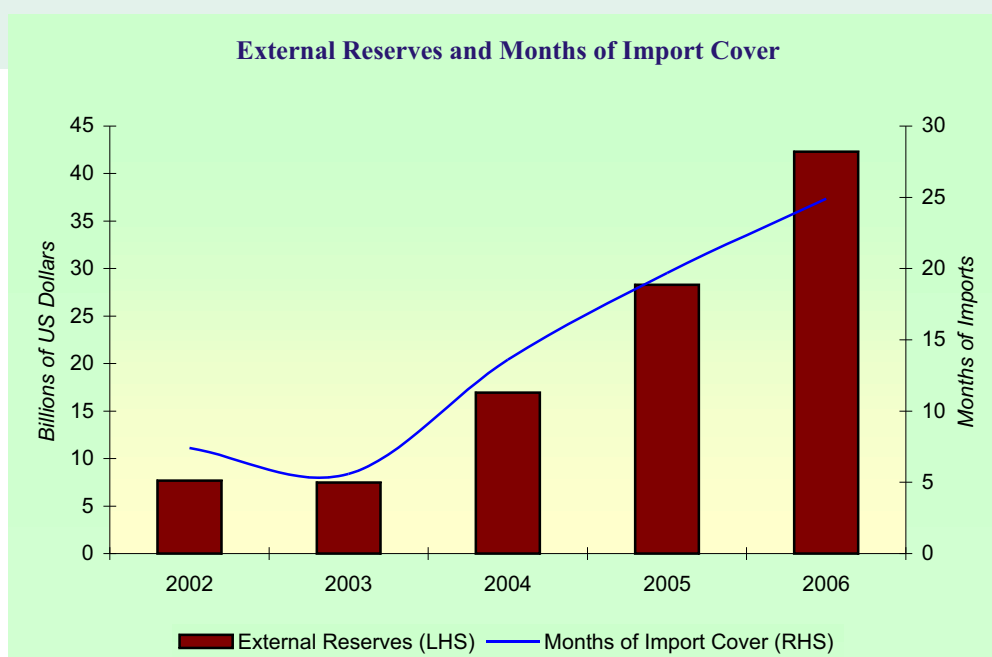


Exchange Rate of the Naira vis-a-vis the US Dollar (Monthly Averages)



Other complementary measures which sustained the stability in the foreign exchange market included the participation of the BDC operators in the official window, the non-accommodating monetary policy stance of the CBN, prudent government fiscal operations, and increased surveillance by the CBN on the activities of the authorized dealers. The average effective official exchange rate was N128.65 per U.S dollar (inclusive of the one (1) per cent commission), indicating an appreciation of 2.6 per cent over the rate in 2005. Similarly, the average exchange rate at the inter-bank and BDC segments of the foreign exchange market appreciated by 4.0 and 9.3 per cent respectively.

8. The stock of external reserves, which stood at US\$42.30 billion, was 49.6 per cent higher than the level recorded in 2005, underpinned by high crude oil prices in the global oil market and the lower debt-service burden. The reserves were equivalent to 28.4 months of imports cover, compared with 20.0 months in 2005 and well above the 6 months requirement under the convergence criteria of the WAMZ.



9. The verification of the post-consolidation processes of banks showed that 11 out of the 19 banks which needed integration had made significant progress. Furthermore, verification of income, capital and authentication of banks' returns to the CBN revealed that only one bank failed to meet the statutory minimum required capital adequacy ratio (CAR) of 10.0 per cent, compared with 12 banks in 2005. Four banks also failed to meet the minimum liquidity ratio of 40.0 per cent, as against 24 banks in 2005. Consequently, the five banks were penalized for the contraventions. An assessment of the banking industry soundness, using the CAMEL rating, showed that 10 banks were sound; 12 banks were satisfactory; and 3 were marginal. Furthermore, the quality of the credit portfolio of banks improved as the ratio of non-performing loans (NPLs) to total credit declined to 8.7 per cent, from 19.3 per cent in 2005.

10. The financial system as at end-2006 comprised the CBN, the Nigeria Deposit Insurance Corporation (NDIC), the Securities and Exchange Commission (SEC), the National Insurance Commission (NAICOM), the National Pension Commission (NPC), 25 deposit money banks, 750 community banks, 112 finance companies, 322 Bureaux-de-Change, one (1) stock exchange, one (1) commodity exchange, 91 primary mortgage institutions, five (5) development finance institutions, 103 insurance companies, seven (7) microfinance banks, and 581 registered insurance brokers.

11. Under the Agricultural Credit Guarantee Scheme Fund (ACGSF), a total of 54,032 loans valued at N4.3 billion were guaranteed in 2006. The cumulative volume and value of these loans stood at 497,692 and N14.9 billion, from inception in 1978 to 2006. Investment under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) increased by 41.4 per cent to N17.04 billion. Of the total investment, the real sector received 52.8 per cent, while the balance of 47.2 per cent went to the services sector. The implementation of the microfinance policy continued, as conversion from community banks (CBs) to microfinance banks (MFBs) commenced. Consequently, 185 new applications for MFB licences were received, while 381 existing CBs sent in their conversion plans. Out of the total applications received, 7 final licences were granted in 2006. In addition, approvals-in-principle (AIPs) were granted to 9 new investors, while 4 provisional approvals went to 4 existing CBs to convert to MFBs. Two (2) CBs which were not able to meet the requirement for conversion to MFB have indicated their intention to wind down their operations.

12. The audited financial statement of the Central Bank of Nigeria showed that total revenue increased substantially relative to 2005. At N162.5 billion, total revenue recorded an increase of 72.9 per cent over the preceding year's level. The improved revenue reflected largely the increase in interest income (96.5 per cent), especially income from term deposits with foreign banks. Operating expenses increased by 77.9 per cent due, mainly, to the increase in currency issue expenses and pension costs. The operations of the CBN in 2006 resulted in a net surplus of N31.1 billion, and indicated a substantial increase of 283.9 per cent over the level in 2005. In accordance with the provisions of Part II, Section 5(3) of the CBN Act, 1991 (as amended), the sum of N25.9 billion was transferred to the Federal Government while the balance accrued to general reserves.

13. At end-2006, THE total assets of the CBN rose by 47.6 per cent to N6.2 trillion, compared with the level at end-2005. This development reflected largely the increase in external reserves (49.6 per cent), 'other assets' (300.4 per cent), loans and advances (369.8 per cent), and government securities (37.5 per cent).

14. The increase in assets was mirrored largely by the increase in some liabilities of the Bank, notably deposits (35.6 per cent), CBN instruments (44.5 per cent), and notes and coins in circulation (21.3 per cent). The share capital of the CBN stood at N5.0 billion at end-December 2006, compared with N3.0 billion at end-2005, while the general reserves rose by 6.7 per cent to N50.7 billion

15. Work on the Bank's major information technology (IT) initiatives, under the re-engineering exercise (Project EAGLES), was completed with the live runs of the Real Time Gross Settlement System (RTGS); the electronic Financial Analysis and Surveillance System (e-FASS); the Temenos T24 banking application, and the Oracle Enterprise Resource Planning (ERP) package. Other IT initiatives completed included the Extranet Gateway and Network Security through which external stakeholders can securely connect to the Bank, an automated staff performance appraisal (SPA) system, as well as the Integrated Document Management System (IDMS) for scanning and indexing of Bank's records into an electronic imaging system for easy filing, storage and retrieval.

16. In order to enhance transparency in monetary policy implementation, the Bank organized the 11th Monetary Policy Forum, with the theme "Monetary Policy after Banking Consolidation" which was aimed at sustaining regular interaction with stakeholders.

17. The CBN took a major initiative in 2006 to reposition Africa's private sector-led investment growth through the promotion of the African Finance Corporation (AFC). The AFC is expected to bridge the resource gap in financing in Africa. Also, the development of the Financial System Strategy 2020 (FSS 2020), which was initiated by the CBN, commenced during the year. The FSS 2020 is the blueprint for achieving the goal of transforming Nigeria into an international financial centre as Nigeria aims at becoming one of the top 20 economies in the world by the year 2020.

18. The Bank recruited 134 staff in 2006, comprising 1 executive, 2 senior staff and 131 junior staff. However, the Bank lost the services of 30 staff through death, 31 through mandatory or voluntary retirement, and 123 through rationalization as a result of the on-going repositioning exercise. Also, the appointments of seven (7) staff were terminated, and one (1) staff was dismissed. Overall, the staff strength of the Bank fell by 2.4 per cent to 4,748 at end-2006, from 4,862 at end-2005.

19. In order to boost staff morale and enhance their performance, the Bank promoted a total of 2,288 staff, comprising 262 executives, 1,437 senior and 589 junior staff, respectively. In addition, the conversion of 11 and 4 staff to senior and junior staff categories, respectively, was approved. The Bank continued its capacity building programme through training, and participation in courses, workshops, seminars and conferences within and outside Nigeria. Furthermore, the Bank organized a train-the-trainer workshop for its major IT initiatives. Overall, 8,696 and 331 local and overseas training slots, respectively, were utilized during the year.

ECONOMIC REPORT

The International Economy

20. Global output growth was projected at 5.1 per cent, 0.2 percentage point above the level recorded in 2005. The growth was broadly spread and driven by high domestic demand, increased corporate investment, high oil prices, positive exchange rate developments and substantial capital inflows. Also, the global economy witnessed modest inflationary pressures. Total global trade in 2006 amounted to US\$23,344.1 billion, representing a 14.6 per cent increase over the value recorded in the preceding year. The high value of trade was underpinned by the rise in the price of oil, commodities and metallic minerals. A disaggregation of the trade data showed that the advanced economies accounted for 67.7 per cent, while the balance of 32.3 per cent was shared by the emerging and developing countries.

21. Members of the Group of Twenty Four developing countries (G-24) reviewed the favourable global economic environment in which many emerging and developing countries experienced robust growth. They noted that persistent poverty and widening global imbalances could undermine further growth prospects. In order for sub-Saharan Africa and South Asian countries to meet the Millennium Development Goals (MDGs) by 2015, the Group called for increased aid commitments and a deepening of debt relief. The Annual Meetings of the G-24, and of the Boards of Governors of the IMF and World Bank, also resolved on quota and voice reforms, aimed at increasing the quotas of members with relatively strong economies and enhancing the participation and voice of low-income countries in the IMF. The Ministers of the G-24 at the meeting expressed disappointment over the suspension of the Doha Round of multilateral trade negotiations and were not favourably disposed to the current trading system which was heavily biased against the developing countries.

22. Nigeria's performance, with respect to the assessment criteria and structural benchmarks of the PSI in 2006 was mixed. The integrated personnel and payroll information system, the opening of financial bids for the privatization of Port Harcourt and Kaduna refineries, the production of quarterly reports of spending on MDGs-related sectors, and the issuance of a procurement manual were all missed. Nigeria signed a bilateral trade agreement with Ethiopia and memoranda of understanding (MOUs) with Luxembourg and Iran; it also concluded negotiations on energy, transportation, the environment, and education with Russia, as well as banks' guarantees for loans to Small and Medium Scale Enterprises (SMEs) with the United States of America.

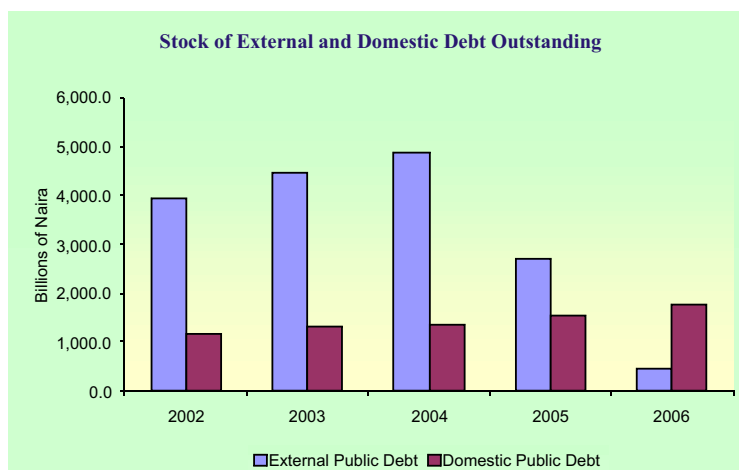
23. IN 2006, the West African Monetary Zone (WAMZ), directed the West African Monetary Institute (WAMI) to, among others, effectively monitor and review the sub-region's macroeconomic convergence programmes for the creation of a customs union; develop a zonal payments and settlement system for cross-boarder transactions; ensure statistical harmonization and ratification of the WAMZ legal instruments; activate WAMZ institutions; promote sensitization programmes; and commence preparations for launching the WAMZ currency, ECO.

DOMESTIC ECONOMY

Fiscal Operations of the Federation

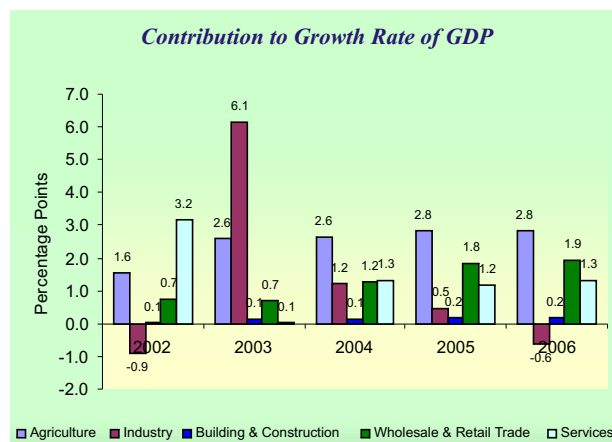
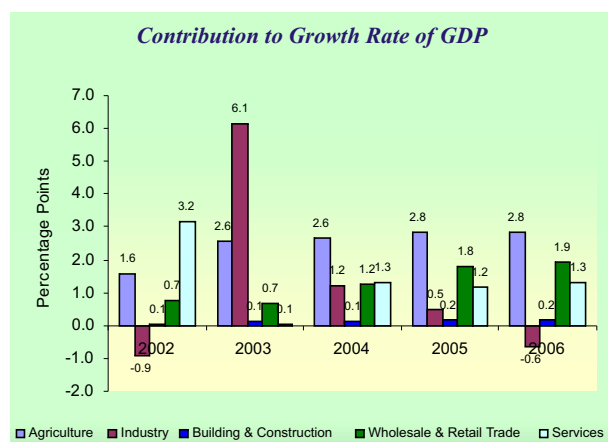
24. The fiscal operations of government improved in 2006. Total federally-collected revenue stood at N5,965.1 billion, 7.5 per cent over the level in 2005. The revenue performance, which was 32.7 per cent of GDP, was largely attributed to the huge receipts from the oil sector as the prices of crude oil exceeded the budget benchmark price of US\$35.00 per barrel. Prudent public expenditure management resulted in an accumulated savings of US\$24,359.4 million in 2006. The savings comprised the US\$9,078.7 million unspent from the 2005 excess crude earnings and the US\$15,280.7 million accumulated in 2006. Revenue from the non-oil sector, however, declined by 13.7 per cent below the level achieved in 2005. Federal Government retained revenue increased by 10.6 per cent, while expenditure rose by 6.4 per cent over the level in 2005. The fiscal operations of

the Federal Government improved further in 2006 as the notional deficit narrowed from N161.4 billion or 1.1 per cent of GDP to N101.3 billion or 0.6 per cent of GDP. Furthermore, the primary balance recorded a surplus of N148.0 billion or 0.8 per cent of GDP. Arising from Nigeria's exit from the Paris Club, the consolidated public debt declined by 47.8 per cent in 2006. However, while the stock of external debt declined by 83.2 per cent to US\$3.5 billion, the domestic component increased by 14.9 per cent over the level in 2005.



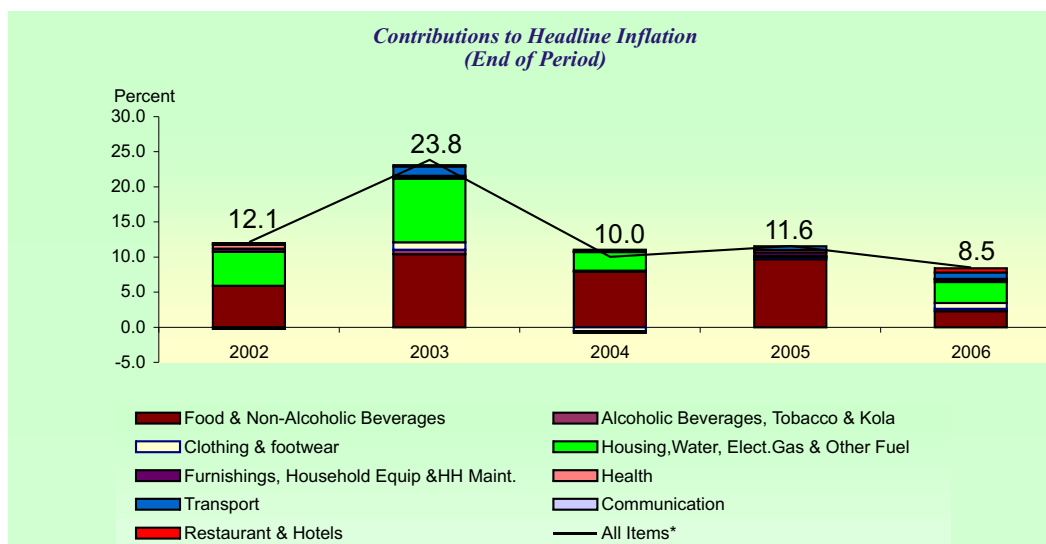
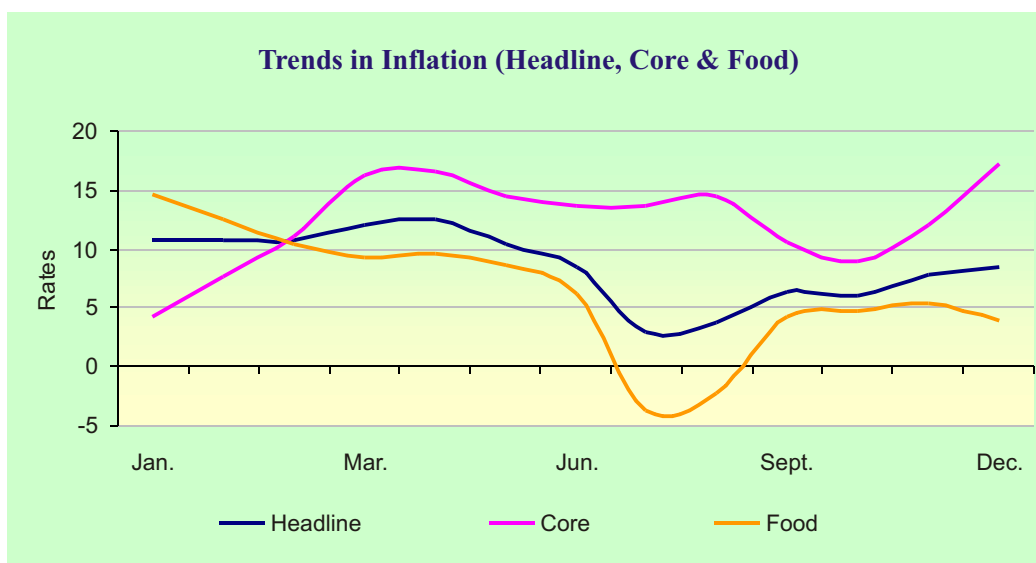
The Real Sector

25. The growth rate of Gross Domestic Product (GDP), at 1990 basic prices, slowed down to 5.6 per cent in 2006, from the 6.5 per cent recorded in 2005. Despite the slowdown, the performance of the Nigerian economy during the year was considered satisfactory, given that growth was achieved against the backdrop of production slowdown in the oil sector and the energy crisis that the economy faced, and was generally broad-based. The factors that sustained the satisfactory level of growth in 2006 included favourable monetary and credit conditions, which promoted increased financing of the private sector, particularly in the oil and gas, communications and services sub-sectors; the supportive environment provided by the public sector to promote economic activity, with the attendant relative stability in the goods and foreign exchange markets; and an enhanced overall investment climate. The major drivers of the growth were agriculture, wholesale/retail trade, building and construction, and services, which grew by 7.2, 13.7, 12.1 and 8.9 per cent, respectively. The output of the industrial sector, however, declined by 2.6 per cent, largely due to the fall in crude oil production.



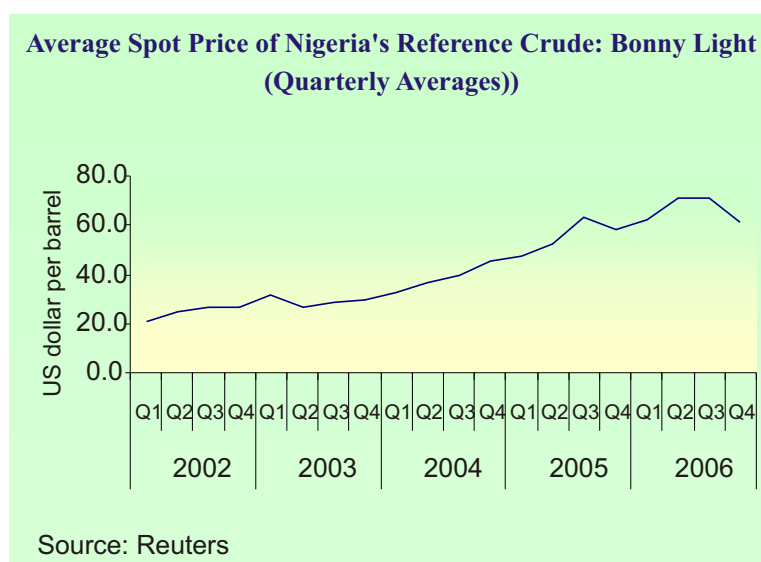
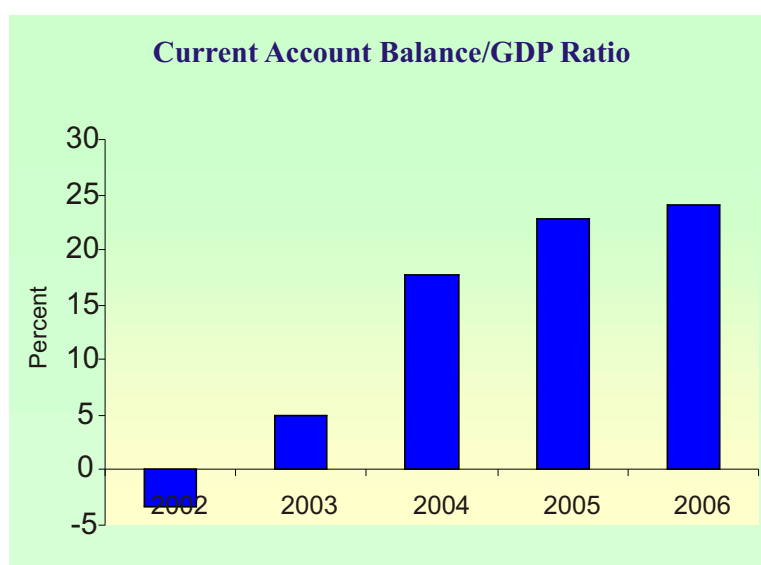
26. Inflationary pressure was contained in 2006 as headline inflation declined to a single digit rate of 8.5 per cent, which was three percentage points lower than the 11.5 per cent recorded in 2005 and had met the WAMZ criterion. Underpinning the deceleration in headline inflation was the significant decline in food inflation during the year.

The key drivers of headline inflation were the two components of the CPI basket: housing, water, electricity, gas and other fuel, as well as food and non-alcoholic beverages, which contributed 3.0 and 2.3 percentage points, respectively, to the recorded inflation rate.



The External Sector

27. The external sector recorded significant improvements in 2006, with the sustenance of the robust current account surplus achieved a year earlier and increased financial inflows. The overall balance of payments recorded a surplus of N1,772.7 billion, or 9.7 per cent of GDP, compared with N1,362.3 billion or 9.2 per cent of GDP in 2005. The improved performance was attributed to high crude oil prices, increased inward transfers and other financial inflows. The average price of Nigeria's reference crude, the Bonny Light, increased from US\$55.43 per barrel in 2005 to US\$66.46 in 2006. The current account surplus represented 24.5 per cent of GDP, compared with 28.2 per cent of GDP in 2005. Following further liberalization of the foreign exchange market through the introduction of the Wholesale Dutch Action System (WDAS), and the approval granted to the BDC operators to access the CBN foreign exchange window, the naira exchange rate appreciated in all segments of the market. Moreover, the high volatility that had characterized the various segments of the market in the past moderated significantly.



Selected Macroeconomic and Social Indicators

Indicator	2002	2003	2004	2005 1/	2006 2/
Domestic Output and Prices					
GDP at Current Mkt Prices (₦ billion) 3/	7,984.4	10,136.4	11,673.6	14,894.5	18,222.8
GDP at Current Mkt Prices (US\$ billion) 3/	66.0	78.4	87.4	112.1	142.2
Real GDP Growth (Growth Rate%) 3/	4.6	9.6	6.6	6.5	5.6
Oil Sector	-5.7	23.9	3.3	0.5	-4.7
Non-oil Sector	8.3	5.2	7.8	8.6	8.9
Sectoral Classification of GDP (Growth Rate %)					
Agriculture	4.2	6.6	6.5	7.1	7.2
Industry 4/	-3.4	20.6	4.4	2.2	-1.9
Services 5/	14.8	2.8	9.2	10.5	11.2
Oil Production (mbd)	2.1	2.3	2.5	2.5	2.2
Manufacturing Capacity Utilisation (%)1/	54.9	56.5	55.7	54.8	53.3
GDP Deflator 6/	-13.1	15.2	7.9	19.7	17.2
Inflation Rate (%) (Dec-over-Dec)	12.2	23.8	10.0	11.6	8.5
Inflation Rate (%) (12-month moving average)	12.9	14.0	15.0	17.9	8.2
Core Inflation Rate (%) (Dec-over-Dec) 7/	21.0	34.8	5.9	2.4	17.3
Core Inflation Rate (%) (12-month moving average) 7/	12.5	27.2	15.5	8.8	12.8
Aggregate Demand and Savings (% of GDP) 8/					
Consumption	90.2	87.0	76.2	75.6	74.3
Private	83.5	81.3	69.5	68.9	67.2
Government	6.7	5.7	6.7	6.7	7.0
Gross Capital Formation	6.3	8.6	11.9	12.0	12.5
Gross Fixed Capital Formation	6.3	8.6	11.9	12.0	12.5
Increase in Stock	0.0	0.0	0.0	0.0	...
Net Export of Goods and Non-factor Services	3.5	4.4	11.9	12.4	13.2
Export of Goods and Non-factor Services	27.4	25.1	30.2	31.3	33.9
Import of Goods and Non-factor Services	23.9	20.7	18.3	18.9	20.7
Domestic Savings	9.8	13.0	23.8	24.4	25.7
Gross National Savings	3.5	7.2	18.4	19.4	***
Federal Government Finance (% of GDP)					
Retained Revenue	9.0	10.1	10.7	11.2	10.1
Total Expenditure	12.8	12.1	12.2	12.2	10.6
Recurrent Expenditure	8.7	9.7	8.8	8.2	7.1
Of which: Interest Payments	2.6	3.6	3.3	2.6	1.4
Foreign	0.4	1.9	1.7	1.3	0.6
Domestic	2.1	1.7	1.6	1.3	0.7
Capital Expenditure and Net Lending	4.0	2.4	3.0	3.5	3.0
Transfers	0.0	0.0	0.4	0.5	0.5
Current Balance (Deficit(-)/Surplus(+))	0.3	0.4	1.9	2.9	3.0
Primary Balance (Deficit(-)/Surplus(+))	-1.2	1.6	1.8	1.6	0.8
Overall Fiscal Balance (Deficit(-)/Surplus(+))	-3.8	-2.0	-1.5	-1.1	-0.6
Financing	3.8	2.0	1.5	1.1	0.6
Foreign	...	...	...	...	...
Domestic	3.8	2.0	1.5	1.1	0.6
Banking System	0.8	1.3	...	...	...
Non-bank Public	1.1	0.3	0.4	1.0	0.2
Others	1.9	0.4	1.1	0.1	0.3
Consolidated Government Debt Stock	63.9	57.3	53.6	28.3	12.1
External	49.3	44.2	41.9	18.1	2.5
Domestic	14.6	13.1	11.7	10.2	9.7

Selected Macroeconomic and Social Indicators (Cont...)

Indicator	2002	2003	2004	2005 1/	2006 2/
Money and Credit (Growth Rate %)					
Reserve Money	14.0	19.8	5.2	10.2	20.5
Narrow Money (M1)	15.9	29.5	8.6	15.5	15.4
Broad Money (M2)	21.6	25.0	12.3	16.6	30.6
Net Foreign Assets	-4.9	6.4	83.8	51.6	51.3
Net Domestic Assets	-172.6	274.7	-260.6	169.3	80.9
Net Domestic Credit	64.6	35.7	12.0	14.5	-65.0
Net Credit to Government	6320.6	58.4	-17.9	-37.0	-676.2
Credit to Private Sector	19.7	26.8	26.6	30.8	28.2
Money Multiplier for M2	2.5	2.7	2.9	3.2	3.5
Income Velocity of M2	5.4	5.4	5.6	6.1	5.7
Interest Rates (% per annum)					
Minimum Rediscount Rate (MRR) 9/	16.5	15.0	15.0	13.0	...
Monetary Policy Rate (MPR) 9/	...	...	...	...	10.0
Treasury Bill Rate					
91-day	13.8	14.5	14.4	10.8	8.3
Inter-bank Call Rate	14.1	21.1	12.1	7.0	9.0
Deposit Rates					
Savings Rate	3.7	3.2	4.4	3.3	3.3
3-months Fixed	13.8	13.7	12.8	9.1	10.3
6-months Fixed	14.4	13.8	11.7	8.7	9.9
12-months Fixed	13.7	13.5	12.7	8.8	7.5
Prime Lending Rate	20.6	19.6	18.9	17.8	17.3
Maximum Lending Rate	25.7	21.6	20.4	19.5	18.7
External Sector					
Current Account Balance (% of GDP)	-1.5	7.0	17.6	28.2	24.5
Goods Account	4.8	12.0	22.4	27.8	19.1
Services and Income Account	-8.4	-7.0	-7.9	-5.3	-1.9
Current Transfers	2.1	2.0	3.1	5.7	7.3
Capital and Financial Account Balance (% of GDP)	-5.5	-8.4	-7.8	-19.0	-14.7
Overall Balance (% of GDP)	-7.1	-1.6	9.6	9.1	9.7
External Reserves (US \$ million)	7,681.1	7,467.8	16,955.0	28,279.1	42,298.0
Number of Months of Import Equivalent	7.4	5.6	13.6	18.0	25.6
Debt Service Due (% of Exports of Goods and Services)	17.4	15.1	12.7	21.7	15.3
Average Crude Oil Price (US\$/barrel)	25.0	29.2	38.7	55.4	66.4
Average AFEM/DAS Rate (₦/\$1.00)	121.0	129.4	133.5	132.1	128.7
End of Period AFEM/DAS Rate (₦/\$1.00)	126.9	137.0	132.9	130.3	128.3
Average Bureau de Change Exchange Rate (₦/\$)	137.8	142.0	140.8	142.6	137.1
End of Period Bureau de Change Exchange Rate (₦/\$)	138.6	150.4	138.7	141.5	129.5
Capital Market					
All Share Value Index (1984=100)	12,137.7	20,128.9	23,844.5	24,085.8	33,358.3
Value of Stocks Traded (Billion Naira)	59.4	120.4	225.8	262.9	470.3
Market Capitalization (Billion Naira)	747.6	1,324.9	1,925.9	2,900.1	5,120.9

Selected Macroeconomic and Social Indicators (Cont...)

Indicator	2002	2003	2004	2005 1/	2006 2/
Social Indicators					
GDP per Capita (₦) 3/	65,232.2	80,320.1	89,866.1	111,569.3	132,017.9
GDP per Capita (US\$) 3/	839.1	620.9	673.2	847.4	1,036.2
Population (million)	122.4	126.2	129.9	133.5	140.0
Population Growth Rate (%)	2.8	2.8	2.8	2.8	4.9
Life Expectancy at Birth (Years)	54.0	54.0	54.0	54.0	54.0
Adult Literacy Rate (%)	57.0	57.0	62.0	57.0	64.2
Incidence of Poverty 10/	***	***	54.4	54.4	54.0

1/ Revised

2/ Provisional

3/ Revised based on National accounts of Nigeria 1981-2005 Harmonised series

4/ Includes Building and Construction

5/ Includes Wholesale and Retail Services

6/ Based on GDP at purchasers' value (i.e. GDP at market prices)

7/ Core Inflation is measured as the rate of change of all -item Consumer Price Index (CPI) less farm produce.

8/ Based on GDP at Current Purchasers' Value (Current Market Price)

9/ MPR replaced MRR with effect from December 11, 2006

10/ The incidence of poverty in Nigeria was projected to increase from 65.6 per cent in 1996 to 70.0 per cent in 2000.

However, the result of a Nigeria Living Standard Survey of 2003/2004 from NBS (former FOS), showed that the incidence of poverty declined to 54.4 per cent in 2003/2004.

*** indicates not available



PART ONE

***ACTIVITIES OF THE
CENTRAL BANK OF NIGERIA IN 2006***



CHAPTER 1

ACTIVITIES OF THE CENTRAL BANK OF NIGERIA

The re-engineering process of the CBN, under project EAGLES, continued with the deployment of several IT systems in the course of the year. The CBN commenced the live-runs of the Real Time Gross Settlement (RTGS) system and the electronic Financial Analysis and Surveillance System (e-FASS), with on-line linkage to the 25 deposit money banks and the 5 discount houses in order to enhance effective regulatory and surveillance activities. The CBN also pursued vigorously its branch network expansion with the commencement of construction works on four additional branches. Enlightenment programmes on issues in currency management, particularly towards the dissemination of accurate information on the new currency notes (N5, N10, N20 and N50) and coins (50k, N1 and N2,) scheduled for circulation in the first quarter of 2007, were also undertaken.

1.0 CORPORATE ACTIVITIES OF THE CBN

1.1 Administration

1.1.1 Board of Directors and Other Committees

The structure the Board of Directors of the Bank remained unchanged since its reconstitution in November 2005. Consequently, the Board of Directors comprised the Governor, Chukwuma C. Soludo (Chairman), four Deputy Governors, namely, Ernest C. Ebi (Corporate Services), Obadiah Mailafia (Economic Policy), Tunde Lemo (Financial Sector Surveillance) and Shamsuddeen Usman (Operations) and six non-executive Directors. The non-executive Directors were Akinlose S. Arikawe (PS, FMF), who replaced Olusegun O. O. Ogunkua as the Permanent Secretary, Federal Ministry of Finance, Akpan H. Ekpo, Juliet A. Madubueze (Mrs), Dahiru Muhammad, Samuel O. Olofin and Joshua O. Omuya. The Board held 5 regular meetings and 1 emergency meeting in 2006. The Committee of Governors held 17 meetings, while the Governors' Consultative Committee held 11 regular meetings and 1 emergency meeting. The Committee of Departmental Directors held 12 regular meetings and 1 emergency meeting, while the Audit Committee of the Board held 3 regular meetings. The Monetary Policy Committee held four (4) meetings to review developments in the economy and to take appropriate corrective monetary policy measures where necessary.

1.1.2 Development of CBN Branch Offices

The CBN, in its effort to expand the coverage of service delivery to a wide range of stakeholders, commenced the construction of four new branch buildings at Asaba, Lokoja, Oshogbo and Umuahia. Furthermore, construction work progressed at the sites for Awka, Gombe, Katsina and Uyo branches. The CBN also completed the new Enugu branch building and commenced the refurbishment of the Lagos Learning Centre as well as the branches at Benin, Ibadan, Kaduna and Maiduguri.

1.1.3 Computerization Programme

The CBN commenced the live-runs of its Information Technology (IT) initiatives, namely, the electronic Financial Analysis and Surveillance System (e-FASS), the Temenos T24, the Real Time Gross Settlement System (RTGS) and the Oracle ERP. The e-FASS began operation with the 25 banks and 5 discount houses which connected on-line for the rendition of statutory returns. The deployment of the Temenos T24 banking application software in all CBN branches enhanced the consolidation of transactions at the Head

Office. In addition, its Internet banking module provided the on-line security trading facilities for the deposit money banks. The RTGS, which is an inter-bank payment application that settles high-value payments on a continuous and real time basis, became operational. The CBN conducted training for users to acquire the requisite skills and competencies to use the applications. Efforts at facilitating Information and Communications Technology (ICT) connectivity and on-line rendition of statutory returns by rural-based institutions, particularly the Community Banks (CBs) and Micro Finance Banks (MFBs), progressed in 2006 with negotiations for a strategic alliance between the CBN and the Nigerian Postal Service (NIPOST). The initiative was aimed at leveraging on existing structures and facilities at NIPOST in the integration of CBs and MFBs into the e-FASS network.

1.1.4 Library Operations

The volume of books and journals, as well as the number of materials consulted by staff, increased in 2006. The number of books added to the Library collections was 9,300, compared with 9,250 in 2005. Similarly, subscription to journal titles stood at 420, while 13,960 local and foreign magazines were received. Furthermore, the Library renewed subscriptions to external databases to give staff on-line access to essential reference materials. The databases included: Business Sources Complete, Econlit with Full Text, Legal Collection, Kiplinger and CEPR Discussion Paper Series. The number of library users increased by 7.0 per cent to 5,172 in 2006. Consequently, the number of materials consulted by the users rose by 4.6 per cent to 49,406. The total volume of books in the Bank's library system, after weeding out the old issues, stood at 89,325 in 2006.

1.1.5 Legal Services

The Legal Services Division handled a number of cases, including those arising from the post-consolidation exercise. Seventy-five (75) cases were decided, out of which only two were against the Bank. In addition, two cases were resolved amicably with the contending parties through the Alternative Dispute Resolution (ADR) mechanism. The efforts of the Bank to prevent the incidence of advance fee fraud yielded a good result as no new claim was filed against the Bank in either foreign or local courts. In continuation with the efforts to ensure a financially crime-free environment, the CBN coordinated sensitization workshops for Compliance Officers of the deposit money banks.

1.1.6 Internal Audit

All the sixteen (16) departments and twenty-two (22) branches and currency centres of the Bank were audited during the year. The audit exercises showed that the Bank's business processes were generally carried out within the laid down rules and procedures. Furthermore, 720 currency disposal operations requiring audit witness were carried out, compared with 528 in 2005. The Audit Committee of the Board held three (3) meetings during the year.

1.1.7 Restructuring of the CBN (Project EAGLES)

The Bank continued to strengthen the re-engineering initiative under project EAGLES. The implementation of the Integrated Document Management System (IDMS) commenced with the scanning and indexing of the Bank's records for easy storage and retrieval. In addition, the Kardex-Lektriever automated physical filing system was acquired for effective management of the active records. Standardized performance measures for all administrators Bank-wide was developed, while training on the functionality of the automated Staff Performance Appraisal (SPA) system was concluded. As part of the Bank's Strategic Management System, the Business Units' Strategic Plans were reviewed to ensure conformity with the Enterprise Strategy. The implementation of the centre-led procurement policy commenced during the year.

1.1.8 Communications

In line with its re-engineering programme, the CBN redesigned and upgraded its Internet website to international standards, with improved features to give users high quality surfing experience. The new site

structure consists of core central banking activities including: supervision, monetary policy, payments system and currency management, among others. Exciting features which have been retained in the new design included: Search Engine (SE), Real Simple Syndication (RSS), Wireless Application Protocol (WAP), and Web Log (WL). The content management infrastructure has also been enhanced. The Bank sustained its efforts at improving the transparency of monetary policy, through regular interaction with stakeholders and the public. To this end, four (4) meetings of the Monetary Policy Committee were held and the decisions made public. It also organized the 11th Monetary Policy Forum on the theme: “Monetary Policy after Banking Consolidation” with participants drawn mainly from banks, academia, international monetary/ financial institutions and the organized private sector. Also, as part of its regular interaction and communication with key stakeholders in the financial services industry, five (5) Bankers Committee meetings were held in 2006. Furthermore, the Bank increased the frequency of the seminar for Finance Correspondents and Business Editors from once to twice a year to enhance media practitioners' understanding of the Bank's policies and programmes. The first was held in Kaduna in mid-year with the theme, “Exchange Rate Management”, while the second was held in Ibadan on the theme, “Currency Management in Nigeria”. The latter seminar was basically to promote proper handling of naira notes and to sensitize the general public on the impending introduction of new notes and coins in the first quarter of 2007.

1.1.9 Staff

The Bank recruited one hundred and thirty-four (134) staff during the year. The number comprised one (1) executive, two (2) senior and one hundred and thirty one (131) junior staff. However, the Bank lost the services of thirty (30) staff through death. Furthermore, thirty-one (31) staff left the services of the Bank through mandatory or voluntary retirement, while one hundred and twenty three (123) staff were rationalized following the on-going repositioning exercise. Also, seven (7) staff had their appointments terminated and one (1) dismissed. Consequently, the staff strength of the Bank fell from 4,862 at end-December 2005 to 4,748 at end-December 2006. The CBN promoted two thousand, two hundred and eighty-eight (2,288) members of staff in 2006. This comprised 262 executives, 1437 senior and 589 junior staff. In addition, eleven (11) and four (4) staff had their conversion to senior and junior staff, respectively, approved.

1.1.10 Medical Services

The resolve of the Bank to sustain a virile and healthy workforce continued in 2006. Activities to accomplish this objective included the successful treatment of over 95 per cent of all out-patient cases at the CBN clinics in various locations. Furthermore, the Bank undertook various medical interventions to reduce the incidence of major illnesses. Such interventions included: executive medical screening, the screening of drivers and staff working in hazardous areas, as well as cancer screening. The Bank also sponsored its Executives and Senior Managers to the Healthy Life Seminar to reduce the prevalence of cardiovascular diseases and promote fitness.

1.1.11 Training

In continuation of its capacity building programme, the Bank sustained the policy of staff development and skills enhancement through training. Consequently, the Bank sponsored staff training programmes, including seminars, workshops, conferences and courses within and outside Nigeria. In addition, the Bank organized the train-the-trainers workshop for staff on the following IT applications: MS productivity tools, Oracle ERP, Temenos T24 and e-FASS. Overall, 8,696 local and 331 overseas training slots were utilized.

1.1.12 Recreational Activities

The CBN sponsored various sporting competitions in 2006. The competitions included soccer and lawn tennis tournaments. The 26th edition of the Governor's Cup Football Competition for all CBN Branches was successfully staged in various centres. At the finals played in Ibadan, Oyo State on 19th August, 2006, the Kaduna branch of the CBN won the gold medal, while the Maiduguri and the Ilorin branches won the silver and bronze medals, respectively.

1.1.13 Corporate Social Responsibility

The CBN sustained its commitment to corporate social responsibility through financial incentives to individuals and organizations. In this regard, financial assistance was given to the following organizations with similar strategic objectives: the Abuja Association of the Deaf, the Nigerian Economic Society, the Nigerian Statistical Association and the Girls Guide. The Bank also sponsored the best graduating cadet in Economics and Accounting from the Nigerian Defence Academy, in addition to encouraging intellectual pursuit through financial assistance to several book launches.

1.1.14 Staff Social Responsibility

The staff of the CBN continued the Alms Collection Scheme to support the upliftment of the welfare of the less privileged in Nigerian society. To this end, regular monetary contributions by staff were sustained to keep beggars off the streets of Nigeria's metropolitan cities. A total of N6.035 million was realized during the year, thus bringing the cumulative sum so far to N25.9 million. Funds generated were being channeled towards supporting projects that promote the objectives of assisting the less privileged in society in the revitalization of vocational training centres for capacity building/skills acquisition.

1.2 Research and Collaborative Activities

The Bank conducted research and disseminated information on key issues relating to the management of the economy, in line with its core functions. The Bank was involved in a number of empirical studies culminating in the completion of several studies, 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 Bank were issued, including: the 2005 Annual Report; the 2006 Half Year Economic Report; the quarterly journal, CBN Economic and Financial Review; CBN Statistical Bulletin; and the CBN Briefs. Furthermore, fourteen (14) 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 organized the annual Executive Policy Seminar on the theme "Capital Account Liberalization: Issues, Problems and Prospects". The proceedings of the seminar are being edited for final publication. Similarly, the Annual Conference of the Research and Statistics Offices in the CBN Branches nationwide was organized in Bauchi during the year on the theme, "Inflation Targeting in Nigeria". The proceedings of the conference are being processed for publication. During the year, the Bank initiated the Diaspora/Visiting Scholar Programme which is aimed at encouraging international scholarly research in the core areas of the Bank's activities. Respondents to the advertisements on the programme were screened but have not yet commenced work. 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 lectures from various institutions, including regional organizations, such as WAIFEM.

1.3 CBN BALANCE SHEET

1.3.1 Income and Appropriation

The audited financial statement of the Central Bank of Nigeria showed that total revenue increased substantially from N94.4 billion in 2005 to N162.5 billion in 2006, an increase of 72.1 per cent. The improved revenue reflected largely the increase in interest income (96.5 per cent), especially income from term deposits with foreign banks. Operating expenses increased by 77.9 per cent, due mainly to the increase in currency issue expenses and pension costs. Consequently, the operations of the CBN in 2006 resulted in a surplus before provision of N31.6 billion, compared with N20.9 billion in 2005. At N31.1 billion, the net operating surplus showed a substantial increase of 283.9 per cent over the level in 2005. In accordance with the provisions of Part