

STATEMENT BY THE GOVERNOR

I am very pleased to present the Annual Report of the Central bank of Nigeria (CBN) for the year 2010. Viewed from a proper perspective, 2010 was a year not marked only by many distinct successes, but also laced with continuing economic challenges.

The Bank witnessed some changes at the governance level during the year with the exit of some Board members. Dr. Ochi C. Achinivu was replaced on the Board following his retirement from the public service, while Ibrahim H. Dankwambo, former Accountant General of the Federation resigned his appointment on 20th December, 2011. I commend their invaluable contributions to the governance of the CBN during their tenure. I wish to warmly welcome Danladi I. Kifasi, Permanent Secretary, Federal Ministry of Finance to the Board, and I have no doubt that he will bring his wealth of experience to bear on the business of the Bank.

As the Bank continued to devote itself to enhancing transparency and strengthening the framework for the supervision/regulation of the financial system, we are delighted that the global economic recovery had impacted positively on the Nigerian economy, as it had in many emerging markets.

During the year, the Bank remained focused and committed to the attainment of its principal objectives, as contained in the CBN Act, 2007. Thus, without compromising the principal goal of monetary and price stability, the Bank's monetary management activities were anchored on improving the liquidity and efficiency of the financial system through the adoption of measures to unlock the credit potentials of banks. Also, the efforts aimed at stabilizing the banking sector and, indeed, the financial system and restore public confidence was sustained. In that regard, a new banking regime that refocuses banks to core banking activities by defining permissible activities was adopted. In addition, the Asset Management Corporation of Nigeria (AMCON), which Act was signed into Law by Mr. President on July 19, 2010, commenced operations during the last quarter of the year. The AMCON is expected to ease the burden of non-performing loans on the deposit money banks, strengthen the recovery of the financial system, enhance public confidence and stimulate increased lending to the real sector.

In order to support government efforts at growing the real sector and rejuvenate critical infrastructure of the economy, the CBN established a number of initiatives during the year. These included a ₦500 billion intervention fund for the power, aviation and manufacturing sectors as well as a ₦200 billion Small and Medium Enterprises Credit Guarantee Scheme to fast track the development of SMEs. It is gratifying to state that the implementation of these initiatives is already yielding positive results, which we hope to consolidate in 2011. In collaboration with the Alliance for Green Revolution in Africa (AGRA) and the Bankers' Committee, the Bank has also commenced work on the Nigerian Incentive Based Risk

Sharing System for Agricultural Lending (NIRSAL), which is aimed at unlocking finance to agriculture across the entire commodity value chains, by introducing innovative risk sharing and mitigation mechanisms and products.

Overall, despite the slow pace of global economic recovery, the domestic economy remained vibrant and robust with a gross domestic product (GDP) growth rate of 7.9 per cent, up from 7.0 per cent in 2009. The development was largely ascribed to sustained growth in the non-oil sector, and the continued improvement in the contributions from the oil sector arising from the continued peace in the Niger Delta, as well as the favorable prices in the international oil market.

Economic growth is expected to improve further in the near-to-medium term, as strong and sound macroeconomic frameworks are put in place, coupled with the sustenance of the economic reforms already initiated by government in the various sectors of the economy. The continued improvement in financial sector performance and in critical infrastructure, such as power, would enhance the international competitiveness of domestic output, and further boost the economy.

On behalf of the Board of Directors of the Bank, let me conclude by expressing my heartfelt gratitude to the staff of the Central Bank of Nigeria for their continued support, dedication, hard work and loyalty, which contributed immensely to the Bank's successes in 2010. My appreciation also goes to the Presidency, the leadership of the National Assembly, Honorable Ministers, our development partners, organized private sector as well as other stakeholders for their continued support and cooperation.



Sanusi Lamido Sanusi CON

Governor

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