

CENTRAL BANK OF NIGERIA



**ANNUAL REPORT
2011**

Central Bank of Nigeria

Corporate Head Office

33 Tafawa Balewa Way

Central Business District

P. M. B. 0187

Garki, Abuja

Website: www.cbn.gov.ng

Tel: +234(0)946238707

+234(0)946238762

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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.

THE CENTRAL BANK OF NIGERIA

Established by the Central Bank of Nigeria (CBN) Act of 1958, the principal objects of the Bank, as contained in the new CBN Act, 2007, are to:

- *ensure monetary and price stability;*
- *issue legal tender currency in Nigeria;*
- *maintain external reserves to safeguard the international value of the legal tender currency;*
- *promote a sound financial system in Nigeria; and*
- *act as banker and provide economic and financial advice to the Federal Government of Nigeria.*

**BOARD OF DIRECTORS
AS AT 31ST DECEMBER 2011**

**MEMBERS OF THE BOARD OF DIRECTORS OF THE BANK
AS AT 31ST DECEMBER 2011**

1.	Sanusi Lamido Sanusi, CON	-	Governor (Chairman)
2.	Suleiman A. Barau	-	Deputy Governor (Corporate Services)
3.	Sarah O. Alade (Mrs)	-	Deputy Governor (Economic Policy)
4.	Kingsley C. Moghalu	-	Deputy Governor (Financial System Stability)
5.	Tunde O. Lemo, OFR	-	Deputy Governor (Operations)
6.	Danladi I. Kifasi, mni	-	Director (Permanent Secretary, Federal Ministry of Finance)
7a.	Aderemi B. Ogunsanya	-	Director (Accountant General of the Federation) (Retired on June 28, 2011)
7b.	Jonah O. Otunla	-	Director (Accountant General of the Federation, with effect from June 30, 2011)
8.	Dahiru Muhammad	-	Director
9.	Samuel O. Olofin	-	Director
10.	Joshua O. Omuya	-	Director
11.	Stephen O. Oronsaye, CFR	-	Director
	Yunusa M. Sanusi	-	Secretary to the Board

**MEMBERS OF THE COMMITTEE OF GOVERNORS OF
THE BANK AS AT 31ST DECEMBER 2011**

1.	Sanusi Lamido Sanusi, CON	-	Governor (Chairman)
2.	Suleiman A. Barau	-	Deputy Governor (Corporate Services)
3.	Sarah O. Alade (Mrs)	-	Deputy Governor (Economic Policy)
4.	Kingsley C. Moghalu	-	Deputy Governor (Financial System Stability)
5.	Tunde O. Lemo, OFR	-	Deputy Governor (Operations)
	Yunusa M. Sanusi	-	Secretary

**MEMBERS OF THE MONETARY POLICY COMMITTEE (MPC)
AS AT 31ST DECEMBER 2011**

1.	Sanusi Lamido Sanusi, CON	-	Governor (Chairman)
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2.	Suleiman A. Barau	-	Deputy Governor (Corporate Services), Member
3.	Sarah O. Alade (Mrs)	-	Deputy Governor (Economic Policy), Member
4.	Kingsley C. Moghalu	-	Deputy Governor (Financial System Stability), Member
5.	Tunde O. Lemo, OFR	-	Deputy Governor (Operations), Member
6.	Samuel O. Olofin	-	Board Director, Member
7.	Danladi Kifasi, mni	-	Permanent Secretary, Federal Ministry of Finance, Member
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21.	Folakemi Fatogbe*	-	Risk Management

- | | | | |
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| 23. | Sani I. Doguwa | - | Statistics |
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*Overseeing

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- | | | | |
|----|------------------|---|---|
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| 4. | Yakubu A. Umar | - | Financial & Economic Matters |
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- | | | | |
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36.	Basil U. Udo-Utun	-	Yenagoa
37.	Yahaya A. Lawan	-	Yola

*Overseeing

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List of Abbreviations and Acronyms

AACB	Association of African Central Banks
ABS	Analytical Balance Sheet
ACGSF	Agricultural Credit Guarantee Scheme Fund
ACSS	Agricultural Credit Support Scheme
ADF	African Development Fund
ADPs	Agricultural Development Programmes
AES	African Econometrics Society
AFC	Africa Finance Corporation
AfDB	African Development Bank
AGOA	African Growth Opportunity Act
AIPs	Approval-In-Principle
AMCON	Asset Management Corporation of Nigeria
AMCP	African Monetary Cooperation Programme
AML/CFT	Anti-Money Laundering/Combating Financing Terrorism
APRM	Africa Peer Review Mechanism
ATM	Automated Teller Machines
AU	African Union
AUC	Africa Union Commission
BAs	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, Earning and Liquidity
CAR	Capital Adequacy Ratio
CBN	Central Bank of Nigeria
CBP	Capacity Building Programme
CBs	Community Banks
CDMA	Code Division Multiple Access
CEPR	Centre for Economic Policy Research
CG	Credit to Government
CIC	Currency in Circulation
CIFTS	Central Bank Inter-bank Funds Transfer System
CIS	Commonwealth of Independent States
CIT	Companies Income Tax
COB	Currency Outside Bank
COBEC	Code of Business Ethics and Conduct
COPAL	Cocoa Producers' Alliance
CP	Credit to the Private Sector
CPI	Consumer Price Index
CPs	Commercial Papers
CRMS	Credit Risk Management System

CRR	Cash Reserve Requirement
CSAR	Country Self Assessment Report
CSCS	Central Securities Clearing System
CSOs	Civil Society Organisations
DFIs	Development Finance Institutions
DHs	Discount Houses
DLF	Direct Lending Facilities
DMBs	Deposit Money Banks
DMO	Debt Management Office
DS	Development Stock
EBP	Electronic Budgeting and Planning
EBSCO Host	EBSCOhost Research Database
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
EDC	Entrepreneurship Development Centres
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
ERP	Enterprise Resource Planning
ETF	Education Tax Fund
FAAC	Federation Account Allocation Committee
FCs	Finance Companies
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria
FHAN	Finance Houses Association of Nigeria
FIRS	Federal Inland Revenue Service
FITC	Financial Institutions Training Centre
fob	Free on Board
FRIN	Forestry Research Institute of Nigeria
FSS 2020	Financial System Strategy 2020
G-24	Group of Twenty-four (24) Developing Countries
GDP	Gross Domestic Product
GSM	Global System of Mobile Communications
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
IEA	International Energy Agency
IFAD	International Fund for Agricultural Development
IFT	Inter-bank Funds Transfer
IGR	Internally Generated Revenue

IIP	International investment Position
ILN	Interactive Learning Network
IMF	International Monetary Fund
IPI	Information Publication Investment
IPOs	Initial Public Offers
IPPs	Independent Power Plants
ISPs	Internet Service Providers
IT	Information Technology
ITU	International Telecommunication Union
JSTOR	Journal Storage
JVC	Joint Venture Cash Calls
KYC	Know Your Customer
LOKAP	Lagos, Kano, Aba and Port-Harcourt
LPFO	Low Pour Fuel Oil
LR	Liquidity Ratio
LROs	Lead Research Organisations
LVIFT	Large Value Inter-bank Funds Transfer
M₁	Narrow Money Supply
M₂	Broad Money Supply
mbd	Million barrels per day
MDGs	Millennium Development Goals
MFBs	Microfinance Banks
MICR	Magnetic Ink Character Recognition
MMDs	Money Market Dealers
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MRR	Minimum Rediscount Rate
MTEF	Medium-Term Expenditure Framework
MYTO	Multi-Year Tariff Order
NACRDB	Nigerian Agricultural, Cooperative and Rural Development Bank
NACS	Nigerian Automated Clearing System
NAFDAC	National Agency for Food, Drug Administration and Control
NAICOM	National Insurance Commission
NAOC	Nigeria Agip Oil Company
NAPCON	National Petroleum Company of Nigeria
NAPRI	National Animal Production Research Institute
NBS	National Bureau of Statistics
NCS	Nigerian Custom Service
NDC	Net Domestic Credit
NDIC	Nigeria Deposit Insurance Corporation
NEEDS	National Economic Empowerment and Development Strategy
NEER	Nominal Effective Exchange Rate
NEPAD	New Partnership for Africa's Development

NERC	National Electricity Regulatory Commission
NEXIM	Nigerian Export-Import Bank
NFAs	Net Foreign Assets
NGC	Nigerian Gas Company
NGOs	Non-Governmental Organizations
NIBOR	Nigerian Inter-Bank Offer Rate
NICPAS	Nigerian Cheque Printers Accreditation Scheme
NNPC	Nigerian National Petroleum Corporation
NPC	National Population Commission
NPSC	National Payments System Committee
NSE	Nigerian Stock Exchange
NSPFS	National Special Programme for Food Security
NSPM	Nigerian Security Printing and Minting
NTBs	Nigerian Treasury Bills
NWG	National Working Group
OARE	Online Access to Research in the Environment
OBB	Open Buy Back
ODA	Overseas Development Assistance
OFIs	Other Financial Institutions
OMO	Open Market Operations
OPEC	Organisation of Petroleum Exporting Countries
OTC	Over-the-Counter
P&A	Purchase and Assumption
PENCOM	National Pension Commission
PEP	Politically Exposed Person
PHCN	Power Holding Company of Nigeria
PIR	Process Improvement and Redesign
PMIs	Primary Mortgage Institutions
PMS	Portfolio Management System
POS	Point of Sale
PPT	Petroleum Profit Tax
PSI	Policy Support Instrument
PSV	Payments System Vision
RBDAs	River Basins Development Authorities
REC	Regional Economic Commission
REER	Real Effective Exchange Rate
RTEP	Root and Tuber Expansion Project
RTGS	Real Time Gross Settlement
SBU s	Strategic Business Units
SEC	Securities and Exchange Commission
SFU	Special Fraud Unit
SITC	Standard International Trade Classification
SMEDAN	Small and Medium Enterprises Development Agency
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
SON	Standard Organisation of Nigeria
SPDC	Shell Petroleum Development Company

SSA	Sub-Saharan Africa
SSC	South - South Cooperation
SWETS	SWETS Wise-Database Consolidators
TCs	Travellers' Cheques
TFM	Trust Fund Model
TIB	Temenos Internet Banking
UAT	User Acceptance Test
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organisation
VAT	Value Added Tax
WABA	West African Bankers Association
WACB	West African Central Bank
WAIFEM	West African Institute for Financial and Economic Management
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone
WB	The World Bank
wDAS	Wholesale Dutch Auction System

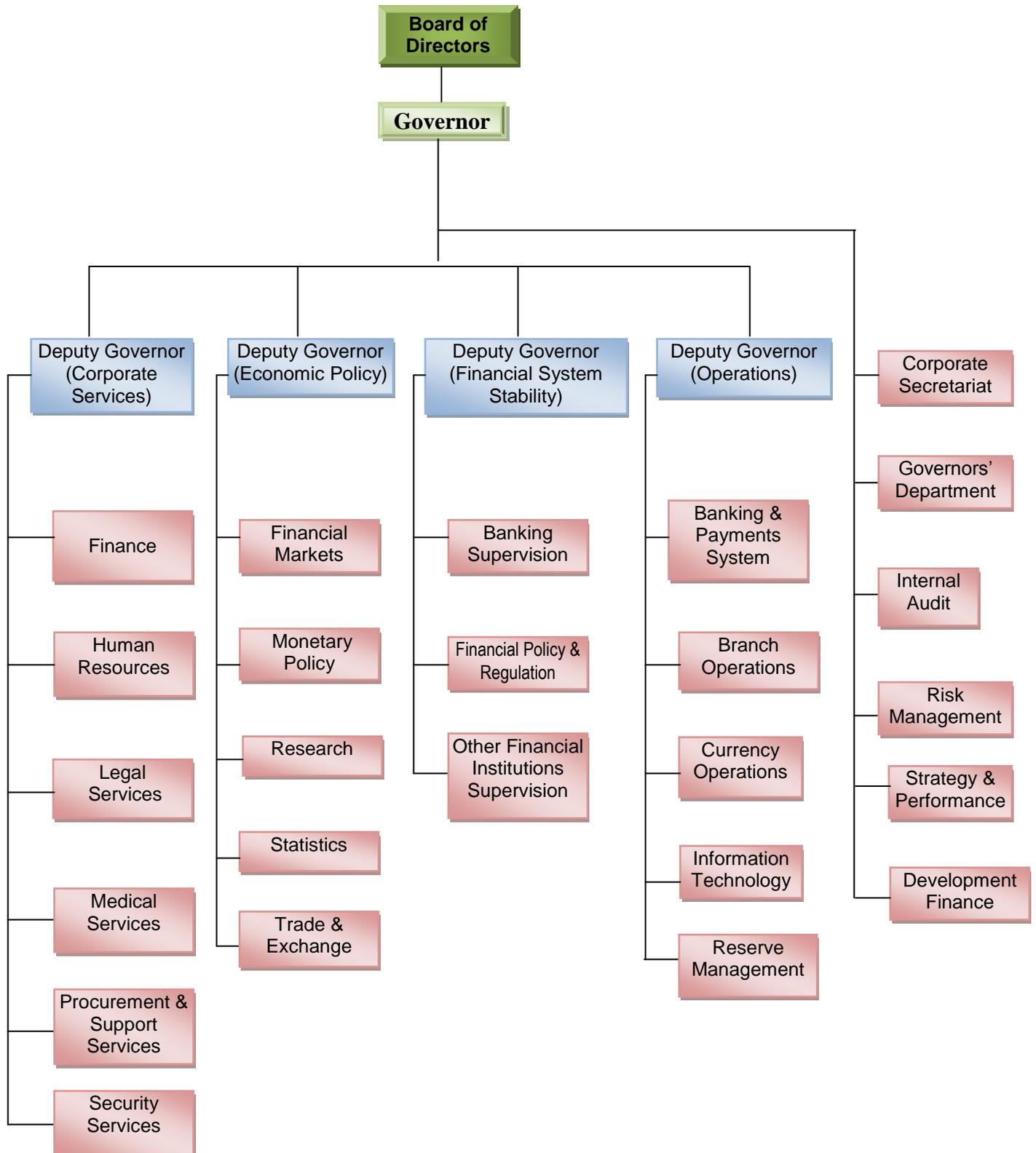
GOVERNOR'S PICTURE

STATEMENT BY THE GOVERNOR

Sanusi Lamido Sanusi
Governor

April 2012

Organisational Structure of the CBN, as at 31st December 2011



CENTRAL BANK OF NIGERIA ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER 2011

SUMMARY

This Report reviews the operations of the Central Bank of Nigeria (CBN) and evaluates the macroeconomic policies and outcomes in 2011. The Report is structured into two parts. Part I appraises the corporate operations

The main thrust of monetary management was to ensure the continued improvement of liquidity conditions and enhance the efficiency of the financial market in order to achieve the objectives of monetary and price stability.

of the Bank, while Part II reviews the performance of the economy, against the expectation of slow recovery in the global economy, as well as the challenges of sustaining financial stability and job creation in the domestic economy. The main thrust of monetary management was to ensure the continued improvement in liquidity conditions and enhance the efficiency of the financial market in order to achieve the objectives of monetary and price stability. Consequently, the Bank embarked on a mix of policy measures to ensure optimum banking system liquidity and facilitate a steady flow of credit to the real sector.

CORPORATE ACTIVITIES

The Board of Directors and Other Committees

The structure of the Board of Directors of the CBN remained unchanged during the year. The Board comprised: the Governor, Sanusi Lamido Sanusi (Chairman); four Deputy Governors, namely Suleiman A. Barau (Corporate Services), Sarah O. Alade (Economic Policy), Kingsley C. Moghalu (Financial System Stability), Tunde Lemo (Operations); and six non-executive directors. The non-executive Directors were Dahiru Muhammad, Samuel O. Olofin, Joshua O. Omuya, Stephen O. Oronsaye, Danladi I. Kifasi (Permanent Secretary, Federal Ministry of Finance) and Jonah O. Otunla, who joined the Board on June 30, 2011 following

the retirement of Aderemi B. Ogunsanya, the erstwhile Accountant-General of the Federation.

The Board held six (6) regular and one (1) emergency meetings in 2011. The Committee of Governors held thirty (30) regular meetings, while the Governors' Consultative Committee held four (4) regular meetings. The Committee of Departmental Directors held eight (8) regular meetings and six (6) extraordinary meetings, while the Pension Fund Management, Establishment as well as Audit and Risk Management Committees held three (3) meetings each. The Financial System Stability, Corporate Strategy, Investment as well as Remuneration Ethics and Anti-Corruption Committees held two (2) meetings each. The Financial and General Purpose Committee held one (1) meeting during the year under review.

Monetary Policy Committee (MPC)

The Monetary Policy Committee held six (6) regular meetings and one (1) extraordinary meeting at which major domestic and international macroeconomic developments were reviewed, and appropriate monetary policy decisions taken and communicated to the public.

MONETARY POLICY, SURVEILLANCE ACTIVITIES AND THE OPERATIONS OF THE CBN

Monetary policy was conducted to ensure continued improvement in the liquidity conditions and enhance the efficiency of the financial market to achieve the objectives of monetary and price stability. The Bank embarked on a mix of policy measures to ensure adequate banking system liquidity and a steady flow of credit to the real sector. The measures included six (6) upward reviews of the Monetary Policy Rate (MPR), the retention of its symmetric corridor of +/- 200 basis points, and the introduction of the reserve averaging framework in March, 2011 (later suspended in October) to smoothen interest rate volatility. In addition, the Bank reduced the foreign exchange net open position of banks and adjusted the mid-point of the target official exchange rate band to safeguard the value of

The Bank embarked on a mix of policy measures to ensure adequate banking system liability and a steady flow of credit to the real sector of the economy.

the Naira. The Wholesale Dutch Auction System-Forwards (wDAS-Forwards) was introduced in the foreign exchange market to minimize financial risks and enhance the monetary transmission mechanism. In order to manage the liquidity conditions in the financial system, the Bank conducted open market operations (OMOs), complemented by cash and liquidity ratios, standing facilities and tenored repurchase transactions.

Monetary management substantially improved liquidity in the banking system. Consequently, both reserve money and broad money (M2) were above the indicative benchmarks for fiscal 2011. Aggregate bank credit (net) to the domestic economy grew by 42.4 per cent, compared with 10.0 per cent at the end of the preceding year and the target of 36.6 per cent for the year. Claims on the Federal Government (net) and credit to the private sector increased by 52.7 and 31.6 per cent, compared with targets of 29.3 and 29.1 per cent, respectively.

The financial system comprised the CBN, the Nigeria Deposit Insurance Corporation (NDIC), the Securities and Exchange Commission (SEC), the National Insurance Commission (NAICOM), the National Pension Commission (PENCOM), the Asset Management Corporation of Nigeria (AMCON), 20 deposit money banks (following the merger/acquisition of 4 banks), 5 discount houses, 858 microfinance banks, 108 finance companies, 101 primary mortgage banks, 690 security brokerage firms, 13 pension fund administrators, 7 pension fund custodians, 2,020 bureaux-de-change, one (1) stock exchange, one (1) securities and commodity exchange, five (5) development finance institutions, one (1) public credit bureau, three (3) private credit bureaux, 45 insurance companies, two (2) reinsurance companies and 50 insurance loss adjusters.

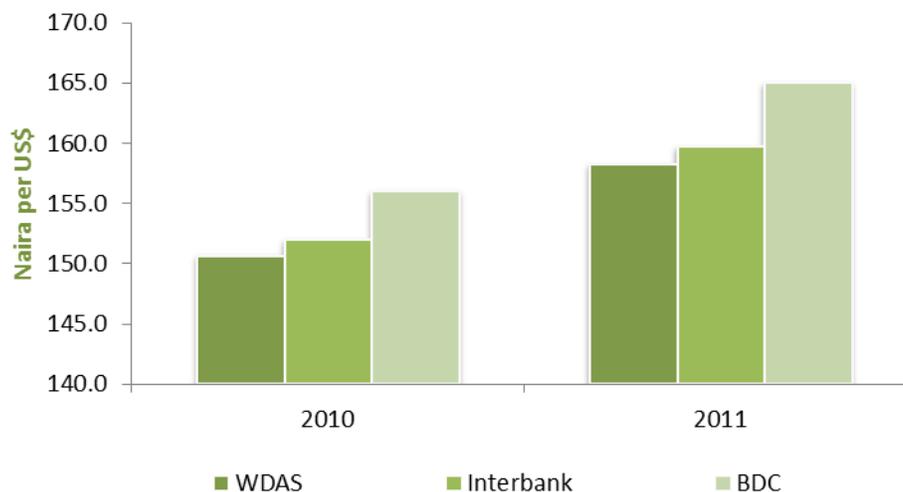
The Bank intensified its supervisory activities and banking reforms to foster stability in the financial system. The surveillance activities focused on the implementation of the revised prudential guidelines, the new banking model and the crisis mitigation measures. Following the adoption of the new banking model, six (6) of the twenty (20) DMBs applied for commercial banking licence

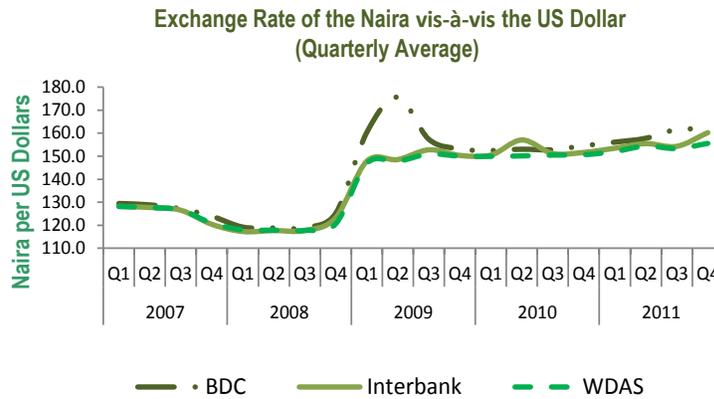
with international authorization, five (5) for commercial licence with national authorization, one (1) for commercial banking licence with regional authorization, four (4) for mixed holding company (HoldCo) comprised of three (3) with international authorization and one (1) with national authorization. Of these, approvals-in-principle (AIPs) were granted to twelve (12) banks that applied for monoline commercial banking licence, while final approval was granted to four that applied for HoldCo in order to restructure their operations in line with their approved compliance plans. A full-fledged non-interest bank, Jaiz Bank Plc with regional authorization was licensed in 2011, while one bank was approved to open a window for non-interest banking. The Bank reviewed the recapitalization efforts of the eight (8) distressed banks in which it had intervened and adjudged three (3) to be lacking in capacity to meet the stipulated deadline for recapitalization. Consequently, the Bank revoked the licences of Spring Bank Plc, Bank PHB Plc and Afribank Plc, following which the NDIC incorporated three (3) bridge banks, namely, Enterprise Bank Ltd, Keystone Bank Ltd and Mainstreet Bank Ltd, respectively, and assumed their deposit liabilities and assets. The assessment of the health of the banking sector indicated that one (1) bank failed to meet the stipulated minimum Capital Adequacy Ratio (CAR) of 10.0 per cent. The asset quality of the banks, measured by the ratio of non-performing loans to industry total, improved substantially as it declined from 15.5 per cent at end-December 2010 to 5.0 per cent at end-December 2011. This was below the maximum threshold of 12.5 per cent prescribed by the Supervisory Intervention Framework. All the twenty (20) banks met the prescribed minimum liquidity ratio of 30.0 per cent at end-December 2011. The Bank strengthened its collaboration with other stakeholders to facilitate a phased transition to the International Financial Reporting Standards (IFRS) over a three-year period, beginning with the 2012 reporting date for all listed companies and major public entities.

The Wholesale Dutch Auction System (wDAS) was retained as the mechanism for foreign exchange management in 2011. In addition, the Bank introduced the foreign exchange forwards transaction at the end of the first quarter to mitigate financial market risks and enhance the transmission of monetary policy. The Bank adjusted the mid-point of the target official exchange rate band from ₦150/US\$1 +/-3 per cent to ₦155/US\$1 +/-3 per cent in order to safeguard the value of the Naira and the prevent further depreciation. The average exchange rate at the wDAS and inter-bank segments of the market depreciated by 2.3 and 3.1 per cent to ₦153.86/US\$ and ₦155.89/US\$, respectively, relative to their levels in 2010. Similarly, the Naira depreciated against the US dollar by 3.9 per cent to ₦159.31/US\$ at the BDC segment. The end-period exchange rate at the wDAS segment of the foreign exchange market depreciated by 4.8 per cent to ₦158.27/US\$, relative to the level at end-December 2010.

An assessment of the health of the banking sector indicated that one (1) bank fell short of the stipulated minimum CAR. The assets quality of the banks substantially improved at end-December 2011.

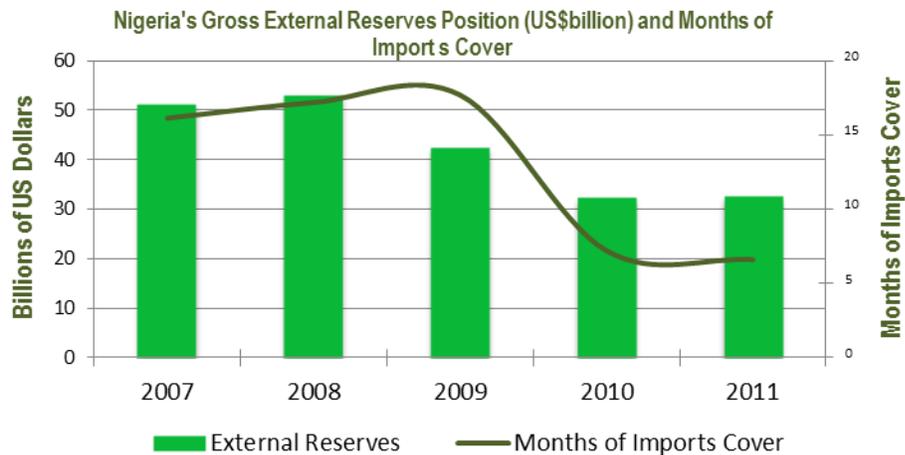
End-Period Exchange Rate of the Naira per US Dollar





At US\$32.64 billion, Nigeria's gross external reserves rose by 0.9 per cent when compared with the level at end-December 2010, and could support 6.5 months of imports of goods and services, as against the 3.0 months requirement under the convergence criteria of the West African Monetary Zone (WAMZ).

An additional ₦35.0 billion was approved by the CBN to shore-up the resources under the RRF to ₦235.0 billion to sustain the restructuring of DMBs' existing loan portfolios to manufacturers and SMEs.



The CBN guaranteed 56,328 loans valued at ₦10.19 billion under the Agricultural Credit Guarantee Scheme Fund (ACGSF) in 2011, bringing the total loans guaranteed since the inception of the Scheme in 1978 to 754,528, valued at ₦52.34 billion. The number of MoUs signed and the sum pledged under the Trust Fund Model (TFM) remained at fifty-six (56) and ₦5.52 billion, respectively, as there was no new placement in 2011. An additional ₦35.0 billion was approved

by the Bank to shore-up the resources under the Refinancing and Restructuring Fund (RRF) scheme to ₦235.0 billion to sustain the restructuring of DMBS' existing loan portfolios to manufacturers and SMEs. Also, the disbursements under the Small and Medium Enterprise Credit Guarantee Scheme (SMECGS) to fast-track the development of manufacturing and SMEs; and disbursements under the Power and Airline Intervention Fund for infrastructure development, continued in 2011.

The audited financial statements of the CBN for the year ended 31st December, 2011 indicated that total income was ₦311.2 billion, a decline of 44.6 per cent from the level in 2010. The decline in income largely reflected the significant fall (-88.4 per cent) in income from realized gains on foreign currency. Similarly, operating cost declined by 23.0 per cent in 2011, thus, bringing the operating surplus before provisions to ₦80.2 billion, compared with ₦46.5 billion in 2010. In accordance with the provisions of Section 22 (1) and (2) of the Fiscal Responsibility Act (FRA) 2007, the sum of ₦64.1 billion was due to the Federal Government, while the balance accrued to general reserve.

The size of CBN's balance sheet increased in 2011, as total assets/liabilities grew appreciably by 66.6 per cent to ₦11.3 trillion. The assets position reflected a phenomenal growth of over 3,000 per cent in investments, driven largely by the Bank's investment in AMCON bonds and Bank of Industry Debenture, as loans and advances fell by 52.9 per cent. External reserves, Holdings of Special Drawing Rights, Federal Government Securities, Fixed assets and other assets grew by 9.6, 4.4, 12.6, 25.4 and 24.7 per cent, respectively. The corresponding increase on the liability side was driven by increases in both the CBN Instruments and other financial liabilities which grew by 1,352.2 and 279.1 per cent, respectively. Deposits, Notes and Coins in circulation, and IMF allocation of Special Drawing Rights also rose by 28.1, 13.6 and 4.4 per cent, respectively. The paid-up capital of the Bank remained at ₦5.0 billion while the general reserve fund increased by 13.3 per cent to ₦94.6 billion.

The CBN approved a new Technology Refresh Project to replace its ageing information technology infrastructure with systems capable of meeting both its present and future demand on IT resources. In addition, the network connection in the Bank was improved to optimize internet bandwidth and convergence of voice and data. As part of the Payments System Vision 2020, the Bank acquired a new Real Time Gross Settlement (RTGS) system to provide robust capacities to handle large value transactions and support the various streams of payments, net settlement positions as well as the securities and foreign exchange transactions, in line with international best practice. Furthermore, the CBN continued the enhancement of the electronic Financial Analysis and Surveillance System (e-FASS) to support its risk-based, consolidated and cross-border supervision frameworks.

The Bank recruited eight hundred and twenty seven (827) personnel. The new staff comprised eleven (11) executive, six hundred and thirty-one (631) senior, one hundred and eighty-three (183) junior, and two (2) contract staff.

The Bank's effort at capacity building and staff development was intensified through training and selective recruitment in 2011.

However, the Bank lost the services of twenty-five (25) staff through death, four hundred and twenty-nine (429) to voluntary retirement, thirty-seven (37) to mandatory retirement, two (2) to compulsory retirement and three (3) to resignation. Furthermore, one (1) staff withdrew his service and another was dismissed. The staff strength of the Bank increased to 5,844 at end-December 2011, from 5,568 at end-December 2010.

As part of the incentives to boost staff morale and enhance performance, the Bank promoted one thousand, nine hundred and thirty-one (1,931) members of staff. Of these, seventy-one (71) were executive, one thousand, one hundred and sixty (1,160) senior and seven hundred (700) junior staff. Seventeen (17) approvals for study leave were granted, while seven

The CBN approved a new Technology Refresh Project to replace its ageing IT infrastructure in order to meet both the present and future IT requirements of the Bank.

hundred and ninety-two (792) appointments were confirmed which comprised five hundred and twenty-five (525) senior and two hundred and sixty-seven (267) junior. Efforts at capacity building through staff development and skills enhancement were intensified. Consequently, the Bank sponsored staff training programmes, including seminars, workshops, conferences and courses within and outside Nigeria. Staff benefited from a total of two thousand, six hundred and twenty-seven (2,627) training slots covering specialized and generic programmes.

ECONOMIC REPORT

The Global Economy

Global output growth in 2011 slowed, due to the persistent Euro debt crisis, weak recovery in the US economy and the crisis in the MENA region.

Global output growth slowed to 3.8 per cent in 2011, compared with the 5.2 per cent achieved in 2010. The development was due to the persistent Euro debt crisis, weak recovery in the US economy and the protracted political crisis in the Middle East and North Africa region.

Inflation in many regions was elevated in 2011, as a result of the resurgence in fuel and commodity prices. Generally, global trade receded following weak demand and decline in imports in the European Union as well as in the developing and emerging economies. The international financial markets remained weak due to the Euro-area debt crisis which heightened risks to financial institutions and investors across the globe.

The 2011 Spring and Annual meetings of the Bretton Woods Institutions (BWIs) which comprised the Ministers of Finance of the Group of Twenty-Four Countries (G-24), the International Monetary Financial Committee (IMFC) and the Development Committee (DC), among others, observed that, although the risk of recession abated in the advanced economies, global economic growth remained sluggish with a high rate of unemployment. In contrast, growth in the developing and emerging economies maintained a strong momentum due to robust macroeconomic framework. The meetings demanded for more decisive actions by the European authorities to address the sovereign debt crisis and restore confidence in the financial markets. Furthermore, the African Caucus of the IMF/WB meeting centred on the increasing energy deficit in Africa, food and fuel prices and the need for increased representation at all levels in the BWIs.

The CBN hosted a seminar organized by the Group of Eight Developing Countries (D8) on the theme, 'Enhancing Global Financial Supervisory Standards

and Practices' in 2011. Participants agreed that the board and senior management of regulatory institutions should provide leadership in risk management for good corporate governance in member countries. In addition, regulators were urged to design appropriate surveillance mechanisms for understanding surveillance/monitoring, conduct regular stress tests of the financial systems, and implement the International Financial Reporting Standards (IFRS). The bilateral meetings under the Nigeria-Niger Joint Commission for Cooperation focused on easing the difficulties in the remittance of funds to curb currency trafficking and the development of cluster industries to enhance economic growth in the two countries.

The Board of the African Development Bank (AfDB) approved two sovereign guaranteed programmes worth US\$200.0 million for the Nigeria Export-Import Bank (NEXIM) and US\$500 million for the Bank of Industry (BOI) for

The Board of the AfDB approved two sovereign guaranteed programmes for NEXIM and the BOI for financing SMEs.

financing SMEs. A portion of the fund was earmarked for supporting technical assistance for capacity building at NEXIM, BOI and the SMEs. Also, the AfDB agreed to contribute US\$146.0 million for the conservation and the sustainable use of natural resources under the Lake Chad Basin Regional Programme. The meeting of the Economic Community of West African States (ECOWAS) Convergence Council of Ministers of Finance and Governors of Central Banks reviewed progress relating to the creation of a single currency in the ECOWAS sub-region and agreed to ensure speedy ratification and implementation of ECOWAS Protocols.

The Domestic Economy

The Financial Sector

The Nigerian financial sector remained relatively resilient and stable in 2011, despite the elevated risks to financial stability in some advanced economies. The outcome was due to the various measures taken to sustain confidence in the system, improve liquidity and credit flows, while the supervisory framework was strengthened. The outcome of financial developments was mixed in 2011. The ratio of broad money supply (M_2) to nominal GDP, at 36.4 per cent, was lower than the 39.1 per cent recorded at end-December 2010. Total money market assets outstanding grew by 24.7 per cent at end-December 2011 due, largely, to the increase in the value of FGN Bonds, NTBs and commercial papers (CPs). The yield on fixed income securities (NTBs and FGN bonds) was generally higher in 2011 than in 2010. The yield curve was normal for most part of the year, but inverted towards the end of the year, reflecting the effects of the tight monetary policy stance of the CBN in 2011. Activities on the floor of the Nigerian Stock Exchange indicated mixed developments.

Fiscal Operations of Government

The consolidated expenditure and revenue of the three tiers of government in 2011 was ₦9,774.3 billion and ₦8,486.5 billion, respectively. Consequently, the combined fiscal operations resulted in an overall notional deficit of ₦1,287.8 billion, or 3.6 per cent of GDP.

At ₦11,116.9 billion, or 31.4 per cent of the GDP, the federally-collected revenue (gross) rose by 52.2 per cent above the level in 2010. The development was attributed to enhanced receipts from both oil and non-oil revenue sources. The substantial oil receipts reflected improved crude oil production occasioned by the relative peace in the Niger Delta region, as a result of the amnesty programme of the Federal Government and increased export receipts, driven

by the sustained demand and favourable prices in the international market. Similarly, non-oil sources increased by 17.3 per cent above the level in the preceding year to ₦2,237.9 billion, or 6.3 per cent of GDP.

The sum of ₦6,158.4 billion accrued to the Federation Account, indicating an increase of 28.7 per cent over the level in 2010. In addition, substantial sums were drawn from the excess crude account for various purposes to boost the federally-collected revenue (net) to a distributable total of ₦6,941.8 billion and shared among the three tiers of government¹ as follows: the Federal Government (including Special Funds) received the sum of ₦3,240.8 billion; state governments, ₦1,658.8 billion; local governments, ₦1,278.8 billion; and the sum of ₦763.4 billion was shared among the oil-producing states as 13% Derivation Fund. Similarly, the VAT revenue of ₦623.5 billion was shared among the federal, state and local governments in the ratio of 15, 50 and 35 per cent, respectively.

The fiscal operations of the Federal Government implemented within the 2011-2013 Medium Term Fiscal Framework (MTFF) was set to ensure fiscal consolidation and foster inclusive growth. At ₦3,553.5 billion, the Federal Government retained revenue grew by 15.0 per cent, while aggregate expenditure increased by 12.3 per cent to ₦4,712.1 billion. The fiscal operations of the Federal Government resulted in an overall deficit of ₦1,158.5 billion, or 3.3 per cent of GDP. Provisional data on state government finances indicated an overall deficit of ₦131.9 billion, or 0.4 per cent of GDP, while those of the local governments reflected a surplus of ₦2.6 billion, or 0.01 per cent of GDP.

The consolidated Federal Government debt stock, as at end-December 2011 was ₦6,519.6 billion or 18.4 per cent of GDP, compared with ₦5,241.7 billion in 2010. External debt outstanding grew by 23.8 per cent to US\$5.7 billion (₦896.8 billion) reflecting the drawdown of existing multilateral loans as well as the

¹The Federation Account revenue sharing formula is as follows: FG (52.68%), SGs (26.72%) and LGs (20.60%), while 13.0% of net oil revenue is shared among oil-producing states.

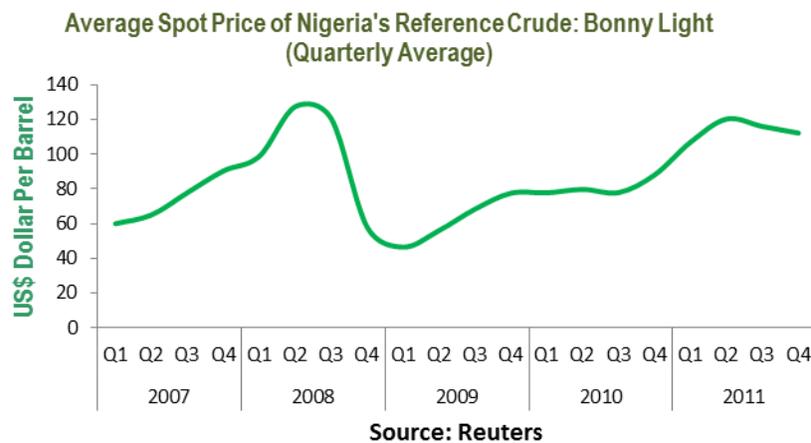
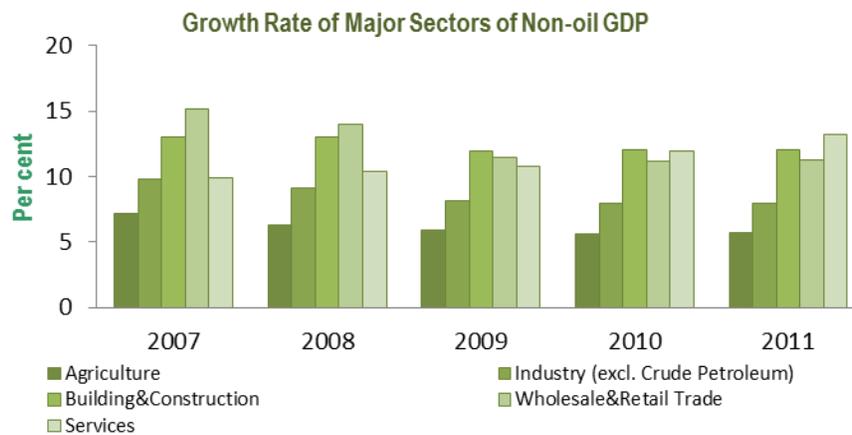
borrowings from the International Capital Market (ICM), while the domestic component increased by 23.5 per cent from its level in 2010.

The Real Sector

An estimate of the real Gross Domestic Product (GDP), measured in 1990 basic prices, grew by 7.4 per cent in 2011, compared with 7.9 per cent in 2010 and an average annual growth rate of 7.0 per cent, for the period 2007 - 2011. The growth was accounted for by all the five sectors, namely, service, agriculture, wholesale/retail, building/construction and industry contributing 2.4, 2.3, 2.1, 0.2 and 0.6 percentage points, respectively. The oil sector grew by 1.5 per cent and accounted for 0.2 percentage point of total growth. The development was attributed largely to the conducive macroeconomic environment which included favourable credit conditions that enhanced the financing of the private sector, increased crude oil production and favourable weather conditions that boosted agricultural output, among others.

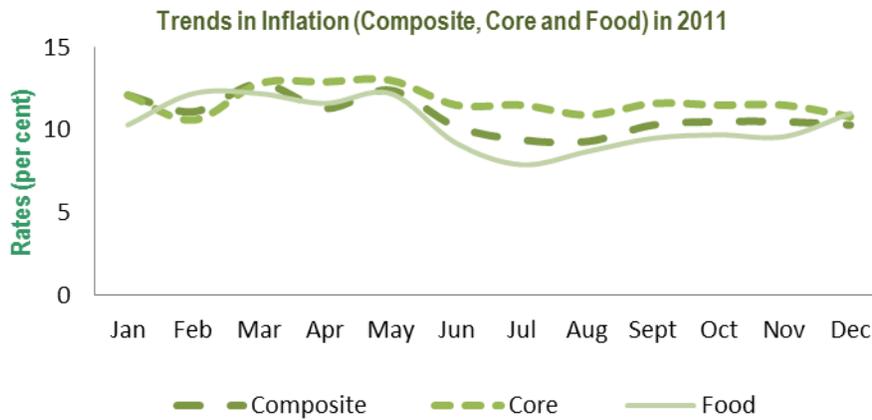
Estimated real Gross Domestic Product (GDP), measured in 1990 basic prices grew by 7.4 per cent, compared with 7.9 per cent in 2010 and an average annual growth rate of 7.0 per cent for the period 2007 - 2011.





Inflationary pressures moderated, but the rate remained above the single digit target for 2011. Headline inflation (year-on-year) which stood at 11.8 at end-December 2010, dropped to 10.3 per cent at end-December 2011. Food and Core inflation rates declined to 11.0 and 10.8 per cent, from their respective rates of 12.7 and 13.7 per cent in December 2010. The development was attributed to the favourable weather conditions experienced throughout the year, which contributed to good harvests for most agricultural output as well as the tight monetary policy stance adopted by the monetary authority.

Inflationary pressures moderated, but the rate remained above the single digit target for 2011.



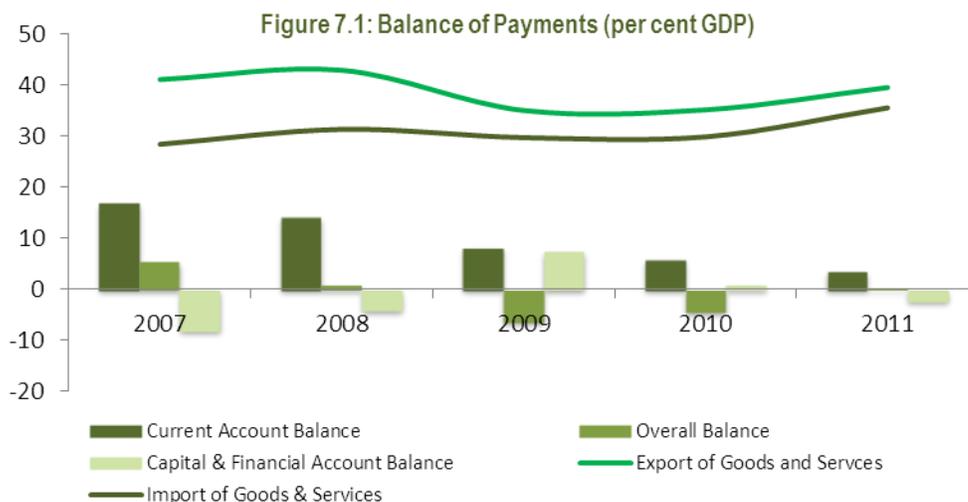
The External Sector

The performance of the external sector improved in 2011 with an estimated overall balance of payments (BOP) surplus of ₦47.1 billion (US\$0.3 billion) or 0.1 per cent of GDP.

However, the current account recorded a reduced surplus equivalent of 3.6 per cent of GDP

The external sector improved in 2011, with an estimated balance of payment (BOP) surplus of US\$0.3 billion.

as the deficit in the services and income accounts (net) overwhelmed oil export receipts and inward transfers. The stock of external reserves rose by 0.9 per cent to US\$32.6 billion and could support 6.3 months of imports, as against the 3 months requirement under the convergence criteria of the West African Monetary Zone (WAMZ).



Indicator	2007 1/	2008 1/	2009 1/	2010 1/	2011 2/
Domestic Output and Prices					
GDP at Current Mkt Prices (₦' billion) 3/	20,940.9	24,665.3	25,225.1	29,498.0	35,440.5
GDP at Current Mkt Prices (US\$' billion) 3/	166.4	208.0	169.4	196.3	230.3
GDP per Capita (₦) 3/	144,519.5	164,874.8	163,481.1	185,172.4	211,065.1
GDP per Capita (US\$) 3/	1,148.5	1,390.6	1,098.1	1,232.0	1,371.4
Real GDP Growth (%) 3/	6.5	6.0	7.0	7.9	7.4
Oil Sector	-4.5	-6.2	0.5	5.0	1.5
Non-oil Sector	9.5	9.0	8.3	8.4	8.9
Sectoral GDP Growth (%)					
Agriculture	7.2	6.3	5.9	5.7	5.7
Industry 4/	-2.2	-3.4	2.0	5.6	3.0
Services 5/	9.9	10.4	10.8	11.9	13.2
Oil Production (mbd)	2.2	2.0	1.8	2.1	2.2
Manufacturing Capacity Utilisation (%)	53.5	53.8	55.1	56.2	56.9
GDP Deflator Growth (%) 6/	7.2	15.1	11.5	13.8	20.9
Inflation Rate (%) (Dec-over-Dec)	6.6	15.1	13.9	11.8	10.3
Inflation Rate (%) (12-month moving average)	5.4	11.6	12.5	13.7	10.8
Core Inflation Rate (%) (Dec-over-Dec) 7/	3.6	10.4	11.2	10.9	10.8
Core Inflation Rate (%) (12-month moving average) 7/	9.2	5.1	9.2	12.4	11.7
Aggregate Demand and Savings (% of GDP) 8/					
Aggregate Demand	96.6	84.9	99.6	87.5	82.6
Private Final Consumption Expenditure	74.9	63.9	74.8	59.5	52.6
Government Final Consumption Expenditure	12.5	12.7	12.7	14.5	14.2
Gross Fixed Capital Formation	9.2	8.3	12.1	13.6	15.84
Increase in Stock	0.01	0.01	0.01	0.01	0.01
Net Export of Goods and Non-factor Services	3.4	15.1	0.4	12.5	17.4
Export of Goods and Non-factor Services	33.7	39.9	30.8	45.6	49.30
Import of Goods and Non-factor Services	30.3	24.8	30.4	33.1	31.9
Domestic Saving	15.0	25.6	16.2	26.0	34.6
Gross National Saving	12.6	23.4	12.5	26.1	33.2
Public Finance (% of GDP)					
General Government					
Revenue	25.0	30.4	24.8	25.7	23.9
Expenditure	25.8	31.0	28.8	29.8	27.6
Transfers	2.2	2.6	1.8	1.8	2.6
Current Balance	7.6	11.5	7.2	5.9	4.0
Primary Balance	0.8	1.3	(2.4)	(2.1)	(1.5)
Overall Balance	(0.8)	(0.6)	(3.9)	(4.1)	(3.6)
Federal Government					
Retained Revenue	11.1	12.9	10.5	10.5	10.0
Total Expenditure	11.7	13.1	13.7	14.2	13.3
Recurrent Expenditure	7.6	8.6	8.4	10.5	9.4
Of which: Interest Payments	1.0	1.5	1.0	1.4	1.5
Foreign	0.5	0.2	0.1	0.1	0.1
Domestic	0.5	1.3	0.9	1.3	1.5
Capital Expenditure and Net Lending	3.6	3.9	4.6	3.0	2.6
Transfers	0.5	0.7	0.7	0.7	1.4
Current Balance (Deficit(-)/Surplus(+))	3.6	4.4	2.0	(0.1)	0.7
Primary Balance (Deficit(-)/Surplus(+))	0.5	1.4	(2.2)	(2.3)	(1.8)
Overall Fiscal Balance (Deficit(-)/Surplus(+))	(0.6)	(0.2)	(3.2)	(3.7)	(3.3)
Financing	0.6	0.2	3.2	3.7	3.3
Foreign	-	-	0.1	0.3	0.2
Domestic	1.0	0.2	2.3	3.8	2.4

Selected Macroeconomic and Social Indicators cont.

Indicator	2007 1/	2008 1/	2009 1/	2010 1/	2011 2/
Banking System	0.8	0.3	0.7	2.5	1.4
Non-bank Public	0.2	0.3	1.6	1.2	1.0
Other Funds	(0.4)	(0.4)	0.8	(0.3)	0.6
Federal Government Debt Stock 12/	12.5	11.7	15.4	17.9	17.9
External	2.1	2.1	2.3	2.4	2.5
Domestic	10.4	9.4	12.8	15.4	15.9
Money and Credit (Growth Rate %)					
Reserve Money	22.6	58.9	6.8	11.6	50.9
Narrow Money (M₁)	36.6	55.9	3.3	11.1	21.5
Broad Money (M₂)	44.2	57.8	17.6	6.9	15.4
Net Foreign Assets	15.2	35.6	(11.1)	(14.3)	10.4
Net Domestic Assets	-36.1	-142.3	414.6	58.1	21.9
Net Domestic Credit	276.4	84.2	59.2	10.0	42.4
Net Credit to Government	-22.3	-31.2	25.9	51.3	52.7
Credit to Private Sector	94.3	59.2	25.1	(3.8)	31.6
Money Multiplier for M₂	3.9	5.9	6.5	6.4	4.8
Income Velocity of M₂	4.3	2.7	2.3	2.5	2.7
Financial Development Indicators (%)					
M₂/GDP	27.7	37.2	42.7	39.5	36.4
CIC/M₂	16.5	12.6	11.0	12.0	11.8
COB/M₂	12.7	9.7	8.6	9.4	9.4
QM/M₂	46.4	47.0	53.5	51.7	49.1
CIC/GDP	4.6	4.7	4.7	4.7	4.3
Credit to Private Sector (CP)/GDP	24.1	32.7	40.5	58.8	53.1
Credit to Core Private Sector (CCP)/GDP	23.7	32.1	39.2	30.2	24.0
CP/Non-Oil GDP	38.5	55.4	67.2	49.6	58.7
DMBs Assets/GDP 13/	52.4	64.5	69.5	58.8	53.1
CBN's Assets/GDP 13/	47.9	35.2	40.5	30.2	24.0
Banking System's Assets/GDP	93.9	105.9	109.9	88.9	77.1
Interest Rates (% per annum)					
Minimum Rediscount Rate (MRR) 9/	***	***	***		
Monetary Policy Rate (MPR) (end period) 9/	9.5	9.75	6.0	6.25	12.0
Repurchase Rate (Average %) 9/	9.5	13.34	9.0	9.25	12.62
Treasury Bill Rate					
91-day	6.54	8.20	3.8	3.6	9.72
182-day 10/	7.35	8.77	4.98	4.9	10.87
364-day 10/	8.12	9.00	5.87	5.6	11.85
Inter-bank Call Rate (end-period)	8.9	12.17	3.3	6.36	15.5
Deposit Rates (end-period)					
Savings Rate	3.2	3.6	3.6	1.5	1.41
3-months Fixed	10.3	12.9	12.6	4.6	6.8
6-months Fixed	9.5	12.9	12.7	4.6	5.63
12-months Fixed	7.9	12.7	12.7	3.5	7.12
Prime Lending Rate (end period)	16.5	16.1	19.0	15.7	16.75
Maximum Lending Rate (end period)	18.2	21.2	23.5	21.9	23.35
Government Bond (Average coupon) 11/					
3-year	8.82	10.13	8.03	8.03	11.20
5-year	11.05	10.16	11.04	11.04	12.17
7-year	9.73	***	11.99	11.99	-
10-year	9.60	12.13	-	9.23	14.54
20-year	***	15.00	11.5	11.5	-

Selected Macroeconomic and Social Indicators cont.

Indicator	2007 1/	2008 1/	2009 1/	2010 1/	2011 2/
External Sector					
Current Account Balance (% of GDP)	16.8	14.2	8.3	5.9	3.6
Goods Account	23.0	22.4	15.2	13.4	12.7
Services Account (net)	-10.3	-10.8	-9.9	-8.1	-8.7
Income Account (net)	-7.2	-7.4	-8.7	-8.6	-9.4
Current Transfers	11.3	10.0	11.6	9.2	9.0
Capital and Financial Account Balance (% of GDP)	-8.1	-4.1	7.5	0.9	-2.2
Overall Balance (% of GDP)	5.5	0.8	-6.3	-4.4	0.1
External Reserves (US \$ million)	51,333.2	53,000.4	42,382.5	32,339.3	32,639.8
Number of Months of Import Equivalent	21.6	15.9	16.3	7.9	6.3
Average Crude Oil Price (US\$/barrel)	74.96	101.15	62.08	80.81	113.8
Average wDAS Rate (₦/\$1.00)	125.83	118.53	148.90	149.74	153.85
End of Period WDAS Rate (₦/\$1.00)	117.97	132.56	149.58	150.66	158.27
Average Bureau de Change Exchange Rate (₦/\$)	127.41	120.81	161.64	153.06	159.31
End of Period Bureau de Change Exchange Rate (₦/\$)	121.00	139.00	155.00	156.00	165.00
Capital Market					
All Share Value Index (1984=100)	57,990.2	31,450.8	20,827.2	24,770.5	20,730.6
Value of Stocks Traded (Billion Naira)	1,076.0	2,400.0	685.7	797.6	622.6
Value of Stocks/GDP (%)	9.2	10.0	10.0	2.7	1.7
Market Capitalization (Billion Naira)	13,294.8	9,535.8	7,032.1	9,918.2	10,282.2
Of which: Banking Sector (Billion Naira)	6,432.2	3,715.5	2,238.1	2,710.2	1,839.3
Market Capitalization/GDP (%)	56.0	39.7	28.5	33.6	28.1
Of which: Banking Sector/GDP (%)	27.1	15.5	9.1	9.2	5.0
Insurance Sector/GDP (%)	2.0	1.3	0.8	0.5	0.4
Banking Sector Cap./Market Capitalization (%)	41.8	39.0	31.8	27.3	17.5
Insurance Sector Cap./Market Capitalization (%)	3.2	3.3	2.7	1.5	1.4
Social Indicators					
Population (million)	144.9	149.6	154.3	159.3	167.9
Population Growth Rate (%)	3.2	3.2	3.2	3.2	3.2
Unemployment Rate (%)	12.7	14.9	19.7	21.1	23.9
Life Expectancy at Birth (Years)	54.0	54.0	54.0	54.0	47.6
Adult Literacy Rate (%)	66.9	66.9	66.9	66.9	66.9
Incidence of Poverty	54.0	54.0	54.0	69.0	71.5

1/ Revised

2/ Provisional

3/ Revised based on National Accounts of Nigeria 1981 to 2005 harmonised series

4/ Includes Building and Construction.

5/ Includes Wholesale and Retail Services

6/ Based on GDP at purchasers' value (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 182-day and the 364-day bills were introduced with effect from _____

11/ Financial Datahouse Limited.

12/ Includes State Government Debts

13/ From Analytical Balance Sheet

M₂ = Broad Money; GDP = Gross Domestic Product; CIC = Currency in Circulation

COB = Currency Outside Bank; QM = Quasi-Money; CP = Credit to Private Sector, CcP = Credit to core Private Sector

*** indicates not available.

Sources: Central Bank of Nigeria (CBN), Federal Ministry of Finance (FMF), National Bureau of Statistics (NBS), Nigeria National Petroleum Corporation (NNPC), Nigerian Stock Exchange (NSE)