

CHAPTER ONE

CORPORATE ACTIVITIES OF THE CENTRAL BANK OF NIGERIA

The Bank sustained its effort at improving efficiency of its business processes through the implementation of strategic initiatives. In order to expand banking infrastructure and ensure easy access to banking services nationwide, the development and renovation of branch buildings and currency centres continued. Furthermore, the overall strategy for the use of information technology (IT) in the Bank was reviewed, in line with enterprise imperatives. To deliver on the new IT Strategy, the CBN approved a Technology Refresh Project, with the broad objective of replacing ageing IT infrastructure with systems capable of meeting the present and future IT demands of the Bank. The CBN continued to perform its corporate social responsibility functions by promoting knowledge through capacity building, youth development, provision of financial assistance to professional associations for the hosting of conferences, seminars and workshops which were of strategic national interest, and provided financial assistance to the less privileged in society, under the Alms Collection Scheme.

1.1 ADMINISTRATION

1.1.1 Board of Directors and Board Committees

The structure of the Board of Directors of the Central Bank of Nigeria (CBN) remained unchanged. Consequently, the Board of Directors 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) and Tunde O. 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 (Accountant-General of the Federation) who joined the Board on June 30, 2011 following the retirement of Aderemi B. Ogunsanya.

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, the Establishment as well as Audit and Risk Management Committees held three (3) meetings each. The Financial System Stability, the Corporate Strategy, the Investment as well as the 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.

Table 1.1: Membership of the Board of Directors and Attendance of Board Meetings in 2011

N/S	Name	Number of Board Meetings Attended
1	Sanusi Lamido Sanusi	6
2	Dahiru Muhammad	5
3	Danladi I. Kifasi	2
4	Jonah O. Otunla	2*
5	Joshua O. Omuya	6
6	Kingsley C. Moghalu	5
7	Sarah O. Alade	5
8	Samuel O. Olofin	6
9	Stephen O. Oronsaye	6
10	Suleiman A. Barau	6
11	Tunde O. Lemo	6

*Mr. Jonah O. Otunla joined the Board of the Bank in June, 2011

Table 1.2: List of Investment Committee (IC) Members and the Number of Times Members Attended Meetings in 2011

N/S	Name	Number of IC Meetings Attended
1	Sanusi Lamido Sanusi	2
2	Dahiru Muhammad	2
3	Danladi I. Kifasi	0
4	Jonah O. Otunla	2
5	Kingsley C. Moghalu	2
6	Sarah O. Alade	2
7	Suleiman A. Barau	2
8	Tunde O. Lemo	2

Table 1.3: List of Financial System Stability Committee (FSSC) Members and the Number of Times Members Attended Meetings in 2011

N/S	Name	Number of FSSC Meetings Attended
1	Sanusi Lamido Sanusi	1
2	Suleiman A. Barau	2
3	Dahiru Muhammad	1
4	Danladi I. Kifasi	1
5	Kingsley C. Moghalu	2
6	Sarah O. Alade	2
7	Stephen O. Oronsaye	1
8	Tunde O. Lemo	2

Table 1.4: List of Pension Fund Management Committee (PFMC) Members and the Number of Times Members Attended Meetings in 2011

N/S	Name	Number of PFMC Meetings Attended
1	Suleiman A. Barau	3
2	Joshua O. Omuya	2
3	Kingsley C. Moghalu	3
4	Samuel O. Olofin	2
5	Sarah O. Alade	3
6	Tunde O. Lemo	3

Table 1.5: List of Finance & General Purpose Committee (F&GPC) Members and the Number of Times Members Attended Meetings in 2011

N/S	Name	Number of F&GPC Meetings Attended
1	Suleiman A. Barau	1
2	Dahiru Muhammad	1
3	Jonah O. Otunla	1
4	Stephen O. Oronsaye	1
5	Tunde O. Lemo	1

Table 1.6: List of Corporate Strategy Committee (CSC) Members and the Number of Times Members Attended Meetings in 2011

N/S	Name	Number of CSC Meetings Attended
1	Sanusi Lamido Sanusi	2
2	Dahiru Muhammad	2
3	Jonah O. Otunla	0
4	Sarah O. Alade	2
5	Stephen O. Oronsaye	2
6	Suleiman A. Barau	2
7	Tunde O. Lemo	2

*Mr. Jonah O. Otunla joined the Board of the Bank in June, 2011

Table 1.7: List of Establishment Committee (EST) Members and the Number of Times Members Attended Meetings in 2011

N/S	Name	Number of EST Meetings Attended
1	Suleiman A. Barau	3
2	Samuel O. Olofin	2
3	Stephen O. Oronsaye	3
4	Tunde O. Lemo	3

Table 1.8: List of Audit & Risk Management Committee (A & RM) Members and the Number of Times Members Attended Meetings in 2011

N/S	Name	Number of A&RM Meetings Attended
1	Joshua O. Omuya	3
2	Dahiru Muhammad	3
3	Jonah O. Otunla	3
4	Samuel O. Olofin	3
5	Suleiman A. Barau	3
6	Tunde O. Lemo	3

Table 1.9: List of Remuneration, Ethics and Anti Corruption Committee (REAC) Members and the Number of Times Members Attended Meetings in 2011

N/S	Name	Number of REAC Meetings Attended
1	Stephen O. Oronsaye	2
2	Danladi I. Kifasi	0
3	Joshua O. Omuya	2
4	Sarah O. Alade	2
5	Suleiman A. Barau	1

1.1.2 The Monetary Policy Committee (MPC)

The Monetary Policy Committee (MPC) held six (6) regular and one (1) extra-ordinary meetings at which major domestic and international economic developments were reviewed and appropriate monetary policy decisions taken. The Monetary Policy Rate (MPR) was reviewed upward six (6) times, in line with the prevailing macroeconomic conditions. The decisions of the Committee were promptly communicated to the public through press briefing by the Governor and a communiqué issued at the end of each meeting.

Table 1.10: List of Monetary Policy Committee (MPC) Members and the Number of Times Members Attended Meetings in 2011

N/S	Name	Number of MPC Meetings Attended
1	Sanusi Lamido Sanusi	7
2	Suleiman A. Barau	7
3	Sarah O. Alade	7
4	Kingsley C. Moghalu	7
5	Tunde O. Lemo	7
6	Sam O. Olofin	7
7	Danladi I. Kifasi	4
8	Adedoyin Salami	7
9	John Oshilaja	6
10	Chibuike C. Uche	6
11	Shehu Yahaya	5
12	Abdul-Ganiyu Garba	7

Table 1.11: MPC Decisions in 2011

Date	Rate (%)	Decision	
January 24 – 25, 2011 Communiqué No. 74	6.50	<ul style="list-style-type: none"> • Raised the MPR by 25 basis points from 6.25 to 6.50 per cent, with immediate effect, with a majority vote of 11:1. • Raised the Cash Reserve Requirement (CRR) ratio by 100 basis points from 1.0 to 2.0 per cent, with effect from February 1, 2011, with a majority vote of 11:1. • With effect from March 1, 2011, raised the Liquidity Ratio (LR) by 500 basis points from 25.0 to 30.0 per cent, with a majority vote of 11:1. 	Corridor +/-200
March 21 – 22, 2011 Communiqué No. 75	7.50	<ul style="list-style-type: none"> • A majority of 9:3 members voted for an increase in MPR by 100 basis points from 6.50 to 7.50 per cent; 3 members voted for a 50 basis points increase. • Unanimous decision to: <ul style="list-style-type: none"> ○ Retain the current CRR of 2.0 per cent and the liquidity ratio of 30.0 per cent; and ○ Extend the CBN guarantee on interbank transactions and guarantee of foreign credit lines by three months from June 30, 2011 to September 30, 2011. 	Corridor +/-200
May 23 – 24, 2011 Communiqué No. 76	8.00	<ul style="list-style-type: none"> • A majority of 9:1 members voted in favour of further tightening of monetary policy. Nine members were in favour of tightening and an increase in CRR from 2.0 per cent to 4.0 per cent, with effect from June 8, 2011, to align with the next reserve averaging maintenance period; 6 members voted for a 50 basis points increase in MPR from 7.5 per cent to 8.0 per cent, while 3 voted for a 25 basis points increase and 1 member voted for no change. 	Corridor +/-200
July 25 – 26, 2011 Communiqué No. 77	8.75	<ul style="list-style-type: none"> • A majority of 10:2 members voted for tightening of monetary policy. • Raised the MPR by 75 basis points from 8.0 to 8.75 per cent by a vote of 8 in favour; 1 for a 50 basis points increase and 3 for retention at 8.0 per cent. 	Corridor +/-200
September 19, 2011 Communiqué No. 78	9.25	<ul style="list-style-type: none"> • A majority of 8:3 members voted for tightening of monetary policy. • Seven members voted for a 50 basis points increase in MPR from 8.75 to 9.25 per cent; 1 voted for a 100 basis points increase, while 3 voted for no change. • Retained the CRR at 4.0 per cent by a unanimous decision. 	Corridor +/-200
October 10, 2011 Communiqué No. 79	12.00	<ul style="list-style-type: none"> • Raised the MPR by 275 basis points from 9.25 per cent to 12.00 per cent with a majority vote of 8:1; • Increased CRR from 4.0 to 8.0 per cent from the maintenance period beginning from October 11, 2011 by a majority vote of 7:2 (2 members voted for an increase of CRR to 6.0 per cent); • Reduced the net open position (NOP) from 5.0 per cent to 1.0 per cent of shareholders funds with immediate effect and with full compliance by October 14, 2011; and • Suspended the reserve averaging method of computation in favour of daily maintenance until further notice. 	Corridor +/-200
November 21, 2011 Communiqué No. 80	12.00	<ul style="list-style-type: none"> • Retained the MPR at 12.0 per cent by a unanimous vote; • Retained the CRR at 8.0 per cent by unanimous vote; • Adjusted the mid-point of target official exchange rate from ₦150.00/US\$1.00 to ₦155.00/US\$1.00 and maintained the band of +/-3.0 per cent; • Encouraged the Management of the Bank to continue to seek convergence between wDAS and interbank rates to reduce arbitrage opportunities, avoid speculative attacks, and the emergence of a multiple-exchange rate environment. 	Corridor +/-200

1.1.3 Development of CBN Branch Offices and Other Projects

The CBN sustained the development and renovation of its branches and currency centres in order to expand banking infrastructure and ensure easy access to banking services nationwide. The construction of nine (9) new currency centres at Abakaliki, Ado Ekiti, Birnin-Kebbi, Damaturu, Dutse, Gusau, Jalingo, Lafia and Yenagoa, as well as four (4) new branches at Asaba, Lokoja, Umuahia and Uyo was completed. The Port Harcourt branch building was formally commissioned on November 18, 2011 by the President of the Federal Republic of Nigeria. The renovation of Ibadan and Benin Branch buildings was completed. The refurbishment projects of branches in Abeokuta, Abuja, Bauchi, Calabar, Ilorin, Jos and Sokoto, as well as the Lagos Office, the Abuja International Training Institute and Kano Learning Centre progressed. Contracts for the refurbishment of branches in Akure, Makurdi, Minna and Yola were awarded. The CBN Governor's new official residence was completed during the year.

1.1.4 Technology Transformation

The overall strategy for the use of information technology (IT) in the Bank was reviewed, in line with enterprise imperatives. In order to deliver on the new IT Strategy, the Bank approved a Technology Refresh Project, with the broad objective of replacing ageing IT infrastructure with systems capable of meeting present and future demands on IT resources. The approved roadmap/strategy implementation plan would guide IT investment for the next five (5) years.

The network connection in the Bank was improved, leading to increased and optimised internet bandwidth and convergence of voice and data networks. Thus, internet communication between CBN locations and external stakeholders was enhanced, thereby reducing operational cost and improving service delivery. In order to manage the growing cyber security threats, various projects to provide security-in-depth for the Bank's information assets were initiated.

Furthermore, as part of the Payments System Vision 2020, the Bank acquired a new Real Time Gross Settlement (RTGS) System consistent with international best practice. The system would provide robust capabilities to handle multiple and concurrent large-value transactions and support various streams of payments including net settlement positions from various netting schemes, securities and foreign exchange settlement transactions. The new system would be seamlessly integrated into the Bank's Temenos 24 (T24) and back office (Oracle enterprise resource planning (ERP)) applications. The Bank created a Treasury Single Account on T24 to consolidate all government accounts for easy management and disbursement of funds.

The electronic-Financial Analysis and Surveillance System (e-FASS) was being enhanced, and all silo applications used to capture returns from the banks and other financial institutions (OFIs) were being reviewed to enhance data integrity and timeliness, as well as to support the risk-based, consolidated and cross-border supervisory framework.

1.1.5 Library Operations

The volume of books in the Bank's library system was 97,627, compared with 95,236 in 2010. The books, journals and periodicals consulted by staff increased by 10.0 per cent to 7,689 from 6,990 in 2010. The Library continued to subscribe to electronic journals through SWETS and IPI. Of the 184 periodicals supplied, 70 were accessible on-line. Subscriptions were made to four (4) other electronic journal databases (JSTOR, EBSCOHost, AGORA and OARE) and IMF statistical database. The process of implementing an electronic Library System was initiated.

1.1.6 Legal Services

The Bank sustained its effort at strengthening its legal and regulatory framework, as well as enhancing the overall effectiveness of the financial system. Activities in this regard included: the sustained push for the re-enactment of the BOFI Act; the collaboration with stakeholders for the passage of some "Quick-win-Bills" to actualise the Financial System Strategy (FSS) 2020 initiatives and management of cases involving the Bank. Others included publication in the Federal Government Gazette of the expanded definition of "Other Financial Institutions" under section 66 of the BOFIA to include "Financial Holding Company" and capacity building."

The Bank was inundated with many cases of litigation out of which 28 were decided in favour of the Bank, 2 against and one settled out of court. Most of the decisions in favour of the Bank endorsed its statutory powers to take corrective measures in furtherance of its mandate. The Bank also executed agreements with point of sale (POS) terminal manufacturers in furtherance of the cash-less policy. It pursued the passage of the Asset Management Corporation of Nigeria (AMCON) Bill and was awaiting the passage of bills for the establishment of the Office of the Nigerian Financial Ombudsman, the Nigeria International Financial Centre and the National Alternative Dispute Resolution Regulatory Commission.

1.1.7 Security Services

The Bank enhanced and sustained corporate security in its workplace, particularly in the areas of asset protection, personnel safety and operational resilience. The Security Committee, under the Chairmanship of the Deputy Governor (Corporate Services), comprised two other deputy governors and some departmental directors as members, and was established with the aim of providing an overall security policy and a strategic management framework for the Bank. The Bank upgraded its security equipment and collaborated with the Office of the National Security Adviser to determine the appropriate security measures to be adopted for the Bank's critical assets. In the face of emerging security challenges, the Bank collaborated with other security agencies and reinforced its security apparatus around the Head Office and the branches. Other activities carried out included: security assessment and safety audit of the Bank's facilities to determine their compliance with best practice and ensure the enforcement of the provisions of the CBN Act 2007 on the abuse of the Naira.

1.1.8 Internal Audit

One hundred and five (105) routine audits of the identified forty-seven (47) processes across business units, fifty-four (54) departmental (Administrators' Offices) audits, one hundred and eleven (111) routine branch audits, and eighteen (18) IT audits were carried out. Twelve (12) critical investigations and other ad-hoc activities were conducted. Two hundred and eighty-two (282) currency disposal operations requiring audit witnesses were completed. In the absence of any material or significant irregularities or cases of fraud uncovered, a reasonable assurance opinion was expressed by the internal auditors to the effect that no major weakness in the overall governance, risk and control system was observed.

1.1.9 Risk Management

The Bank strengthened its Enterprise Risk Management system by designing initiatives to protect and reinforce the Bank's control system. In line with best practice, the Bank commenced the Risk Control Self-Assessment (RCSA) project in three phases. The first and second phases, which lasted from May - June and July - October, 2011 respectively were completed and signed-off for Finance and Information Technology Departments as well as five branches – Abuja, Enugu, Lagos, Kano and Port Harcourt. In the third phase (October-December, 2011), the project was initiated for two departments (Governors' and Reserve Management Departments) and four branches – Benin, Ibadan, Kaduna and Yola.

The Bank reinforced its Information Risk Management system with a view to delivering enhanced confidentiality, integrity and availability of information resources. The Bank commenced an initial gap analysis on its IT infrastructure and processes benchmarked to the International Standard on Information Security Management System (ISMS) for this purpose. In addition, the internal risk framework was being reviewed to provide guidelines for identification and mitigation of information risks.

1.1.10 Strategic Initiatives and Business Process Management

The Bank sustained its effort at improving the efficiency of its business processes through the implementation of strategic initiatives. The initiatives included among others: improving the quality of banks; redefining the Financial System Strategy framework; developing an exit strategy for the Asset Management Corporation of Nigeria (AMCON); developing an enterprise-wide risk management framework; deepening economic growth through a Financial Inclusion Strategy and developing a cash holding model under the cash-less programme. In addition, the Bank approved the appointment of a consulting firm to implement the balanced scorecard to drive Corporate Performance Management and Strategy.

1.1.11 Communications

The Bank's effort at improving transparency in the conduct of monetary policy, through

regular interactions with stakeholders and the general public, were sustained. These activities involved briefings and luncheons with media executives, publicising the decisions of the MPC and the Bankers' Committee. Similarly, the Management of the Bank briefed the Presidency, the National Assembly, the Federal Executive Council, the National Economic Council and committees of the two chambers of the National Assembly on the new policies of non-interest banking, the cash-less project and banking reforms and provided information on the performance of the economy.

In line with the Bank's determination to foster learning and strengthen the capacity of media practitioners to ensure accurate and objective reporting of the Bank's policies and programmes, a seminar for Finance Correspondents and Business Editors was held in Yola, Adamawa State, from September 28 to 30, 2011 with the theme, "Non-Interest Banking in Nigeria: Issues, Challenges and Prospects".

1.1.12 Anti-Corruption and Ethical Issues

The Bank developed a Code of Business Ethics and Compliance (COBEC), and a Strategic Ethics and Compliance Framework (SECF) for 2011-2014, which was validated by the World Bank to ensure compliance with best practice. It conducted seminars on "Enhanced Productivity for Effective Service Delivery" for various grades of staff. It also organised workshops for its drivers and service coordinators in three zones – Kaduna, Enugu, Lagos and Ibadan with the theme; "Ethical Conduct in Service Delivery in CBN" to entrench zero-tolerance to corruption among staff.

The Bank received and processed 10,845 e-mails on various financial crimes, particularly advance fee fraud. The issues were promptly reported to the law enforcement agencies in order to protect potential victims from scammers. It received and investigated 33 complaints against deposit money banks (DMBs); and collaborated with various institutions, such as the Independent Corrupt Practices and Other Related Offences Commission (ICPC), the Economic and Financial Crimes Commission (EFCC) and the Nigerian Postal Services (NIPOST) in the fight against financial crimes. The Bank participated in the review of the draft of the National Strategy for Anti-Corruption at the Inter-Agency Task Team (IATT), in collaboration with the Office of the Attorney-General of the Federation. It also worked with the 'Justice for All' initiative and the United Kingdom's Department for International Development (DFID) to develop a Corruption Prevention Strategy Framework for Nigeria.

The CBN published "Transparency Magazine" for distribution to staff and the public and carried out mandatory ethical compliance visits to strategic business units, based on set criteria. It collaborated with the Office of the Special Adviser to the President on Ethics and Values to contribute to the achievement of the Transformation Agenda of the Federal Government. The Bank also worked with the Code of Conduct Bureau on a Memorandum of Understanding (MoU) that would help facilitate the achievement of its mandate.

1.1.13 Financial System Strategy (FSS) 20: 2020

The CBN initiated a system-wide mobilization programme to transit the country to the International Financial Reporting Standard (IFRS) and concluded work on the FSS20: 2020 portal/website www.fss2020.gov.ng. It entered into a technical assistance agreement with the German Development Agency (GTZ) to develop the FSS 2020 Reform Tool Kit and conduct due diligence on implementing institutions.

1.1.14 Staff

The Bank recruited eight hundred and twenty-seven (827) personnel, including staff of the defunct National Board for Community Banks (NBCB). The new staff comprised eleven (11) executives, six hundred and thirty-one (631) senior, one hundred and eighty-three (183) junior and two (2) contract staff. All the new hires, except ten (10), attended induction programmes to apprise them on the activities of the Bank. The Bank, however, lost the services of twenty-five (25) staff through death, four hundred and twenty-nine (429) voluntary retirements, thirty-seven (37) mandatory retirements, two (2) compulsory retirements and three (3) resignations. Furthermore, one (1) staff withdrew his service and one (1) was dismissed.

The staff strength at end-December, 2011 stood at 5,844, compared with 5,568 in the previous year. As part of the incentives to boost morale and enhance performance, the Bank promoted one thousand, nine hundred and thirty-one (1,931) staff in 2011. The promoted staff comprised seventy one (71) executives, 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 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. The Bank honoured four hundred and fifty-three (453) staff with Long Service Awards. The Bank also conducted recruitment exercises for the African Central Bank Steering and Non-Interest Banking Committees.

The Bank approved, during the year, a gender-affirmation policy that provides for 35 per cent of all positions in CBN for women.

The number of pensioners in the Bank increased from 5,095 in 2010 to 5,553, while the lingering face-off between the Bank and its pensioners was resolved by a ruling of the Supreme Court.

Figure 1.1: Recruitment of New Employees in 2011

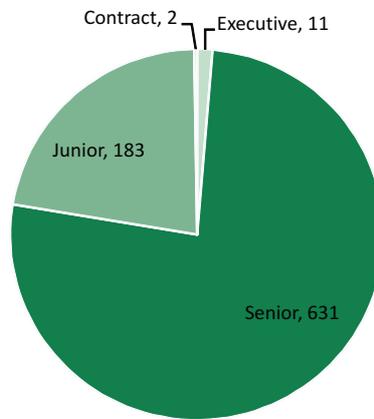
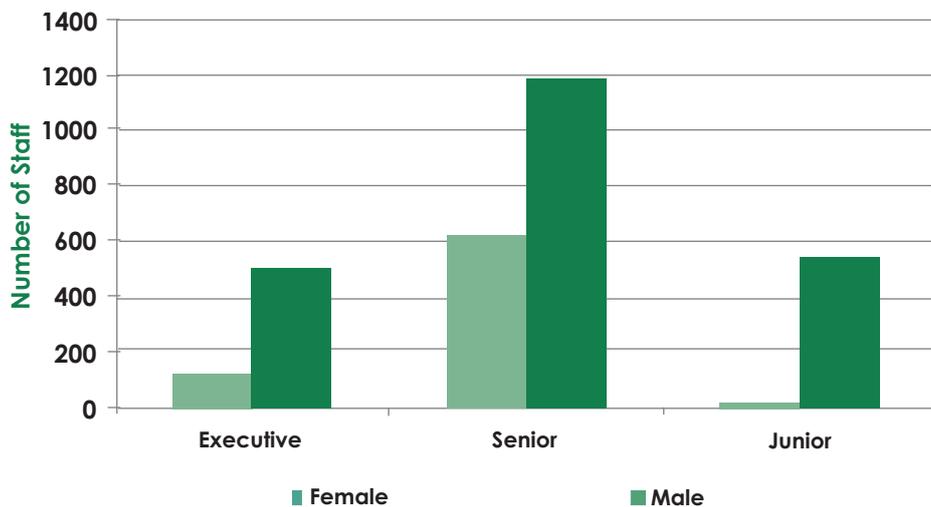


Figure 1.2: Staff Strength by Gender as at December, 2011



1.1.15 Medical Services

In order to sustain a healthy workforce, the CBN undertook various medical interventions. Seventy four thousand, two hundred and seventy (74,270) cases involving staff and their dependants were attended to at the Staff Clinic. Eleven thousand, and twenty-seven (11,027) cases were referred to various stand-by hospitals, while seventy-seven (77) staff and dependants were sent on overseas medical treatment. Seven thousand and eighty-six (7,086) persons were vaccinated. Other interventions included: corporate disease prevention screening of three thousand, five hundred and eighty-one (3,581) staff and pre-employment screening of eight hundred and twenty-six new staff. A “Healthy Lifestyle Seminar” was conducted, and one thousand, one hundred and four (1,104) executives and senior managers, as well as two thousand, five hundred and four managers (2,504) and below attended. Health Education series on topical health issues were delivered to

staff during the year. Specialist clinics in Ophthalmology, Nutrition, Physiotherapy, and ENT were opened in Abuja and Lagos clinics. Side Laboratory services commenced in the Zonal Clinics (Kano, Ibadan, Bauchi and Enugu) in addition to the existing ones in Abuja and Lagos. Furthermore, the Bank sponsored medical screening for four hundred and eighty-four (484) executives in the year. Overall, a significant cure rate was achieved for staff, resulting in an improved employees' health status.

1.1.16 Training

The efforts at capacity building, through staff competency development and skills enhancement, were intensified. Consequently, the Bank sponsored staff training programmes, including workshops, conferences, seminars and courses within and outside Nigeria. Staff benefited from two thousand, six hundred and twenty-seven (2,627) training slots involving six hundred and fourteen (614) executive, one thousand, six hundred and forty-four (1,644) senior staff and three hundred and sixty-nine (369) junior staff, covering leadership development, IT/process training, In-Plant courses, organizational development, specialized skills and general management development. Four hundred and seventy-seven (477) staff benefited from foreign programmes. Entrepreneurial development seminars were also organized for members of the National Youth Service Corps (NYSC) who served in the Bank. It was aimed at preparing the youth corps members for a productive life after their mandatory service year.

1.1.17 Recreational Activities

The CBN sponsored various competitions to sustain the development of sporting activities and promote a healthy life style through physical fitness in Nigeria. These included the lawn tennis, golf and football. The fifth edition of the CBN Junior Tennis Championship took place at the Lagos Lawn Tennis Club from February 28 to March 4, 2011. In addition, the thirty-third edition of the CBN Senior Open Tennis Championship was held at the National Stadium, Lagos from May 27 to June 4, 2011. With respect to football, the First Bank of Nigeria Football Club won the final of the All Financial Institutions Football Competition played at the M. K. O. Abiola Stadium, Abeokuta, Ogun State on November 5, 2011. The final of the thirty-second edition of the Governor's Cup Football Competition for all CBN branches played at the Kwara State Stadium, Ilorin on September 17, 2011, was won by Sokoto Branch. The Bank also sponsored the fifth edition of the CBN Governor's Golf Tournament, which took place at the IBB International Golf and Country Club, Abuja, from December 10 - 11, 2011. In addition, the Bank's workplace gymnasium at the Bank's Corporate Head Office continued to be patronised by staff.

1.1.18 Corporate Social Responsibility

The CBN continued to perform its corporate social responsibility functions by promoting knowledge through capacity building, youth development, provision of financial and other assistance to organisations/activity groups for the hosting of conferences, seminars, workshops, etc, which were of strategic national interest. The Bank intervened in tertiary

institutions under the “Centres of Excellence” projects at the University of Nigeria, Enugu Campus, University of Ibadan and Ahmadu Bello University, Zaria, as well as in twelve (12) other institutions. Additional twelve (12) projects in various institutions were awarded. It also supported physically challenged groups and gender-related issues.

The CBN also purchased Plot 658, Ahmadu Bello Way, Garki, Abuja to be converted to an International Convention Centre.

1.1.19 Staff Social Responsibility

Staff of the CBN sustained their support for the less privileged in society through regular contributions to the Alms Collection Scheme of the Bank. The cumulative contribution at end - December, 2011 stood at N67.49 million.

1.2 RESEARCH AND COLLABORATIVE ACTIVITIES

The CBN undertook research studies, in line with its core mandate/mission and disseminated information on key issues relating to the economy. The preliminary draft reports on a Dynamic Stochastic General Equilibrium (DSGE) Model for Monetary Policy Analysis in Nigeria and Nigeria's External and Fiscal Sectors Models for Policy Analysis were completed.

The regular publications of the Bank during the review period were: the 2010 Annual Report; the 2011 Half-Year Economic Report; the Financial Stability Report; the CBN Economic and Financial Review; 2010 Statistical Bulletin; the CBN Journal of Applied Statistics; the Monetary Policy Review; and the CBN Bullion. Furthermore, two occasional papers on “Real Exchange Rate Misalignment: An application of Behavioural Equilibrium Exchange Rate (BEER) to Nigeria”; and “An Assessment of the Operations of the Presidential Initiatives on Agriculture in Nigeria”, as well as a book, on “The Changing Structure of the Nigerian Economy”, second edition, and a monograph “Understanding Monetary Policy Series” were also published.

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An international conference organised by the CBN on “The Nigerian Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL)” was held at the Transcorp Hilton Hotel, Abuja, from December 6 to 7, 2011. The Bank continued to collaborate with the National Bureau of Statistics (NBS) to generate a series of macroeconomic indicators, through the conduct of the 2010 National Economic Survey.

In recognition of the existence of a pool of experts and professionals in various disciplines at the CBN, the Bank received and honoured requests for the presentation of papers from various institutions, including sub-regional, regional and global organizations, such as the

West African Institute for Financial and Economic Management (WAIFEM), the African Economic Research Consortium (AERC) and the International Monetary Fund (IMF). Staff papers were also presented at international and local professional conferences, including those of the International Conference on Economic Modelling (ECOMOD) in Istanbul, Turkey; the African Econometric Society (AES); the Nigerian Economic Society (NES); the Nigerian Statistical Association (NSA); the Chartered Institute of Bankers of Nigeria; and the Farm Management Association of Nigeria (FAMAN).

BOX 1: STRIDES IN MACROECONOMETRIC MODELING AT THE CBN

The forward-looking nature of monetary policy requires the Bank to have sufficient information on the dynamics of the economic environment to enable the MPC take informed decisions. In order to achieve this, the Bank employs a 'suite of models' to facilitate the conduct of monetary policy. The existing CBN Macroeconometric Model of the Nigerian Economy (MMN) was refined and updated during the year. In addition, the Bank successfully built the Dynamic Stochastic General Equilibrium (DSGE) model.

The DSGE model, designed for policy analysis, would enable the Bank to have sufficient information to determine, among others, its monetary policy rate, the output gap, the exchange rate pass-through, the sacrifice ratio and the inflation threshold. Consequently, new features were added to reflect the peculiarities of the Nigerian economy. In addition, the model was based on microeconomic foundations and followed the new-Keynesian approach, comprised three rational economic agents -- households, firms and the monetary authority. In general, the model was found to be suitable for monetary policy analysis in Nigeria.

The Bank also commenced the building of sectoral models (fiscal, external, real and monetary) to complement the macroeconometric model. The models were designed to forecast key macroeconomic indicators in various sectors of the Nigerian economy. The sectoral models were generally disaggregated and played down the feedback effects associated with large-scale macroeconometric models. The models make use of time series forecasting techniques for projecting key macroeconomic indicators, through the simulation of policy scenarios. The preliminary work on the fiscal and external models was successfully completed.

The Bank concluded plans to produce a Quarterly Macroeconomic Outlook of the Nigerian Economy which would make monetary policy transparent and credible. Thus, the use of fan charts was introduced as a communication tool to inform the general public about the uncertainty relating to macroeconomic forecasts and to facilitate discussion among policy makers and experts about the distribution of forecast risks.

1.3 THE CBN BALANCE SHEET

1.3.1 Income and Appropriation

The audited financial statements of the CBN for the year ended 31st December, 2011 indicated that total income was N311.2 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 N80.2 billion, compared with N46.5 billion in 2010. In accordance with the provisions of Section 22 (1) and (2) of the Fiscal Responsibility Act (FRA) 2007, the sum of N64.1 billion was due to the Federal Government, while the balance accrued to general reserve.

1.3.2 Assets and Liabilities

The size of CBN's balance sheet increased in 2011 as total assets/liabilities grew appreciably by 66.6 per cent to N11.3 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 N5.0 billion, while the general reserve fund increased by 13.3 per cent to N94.6 billion.