

## **STATEMENT BY THE GOVERNOR**

I am delighted to present the Annual Report and Statement of Accounts of the Central Bank of Nigeria (CBN) for the year ended 31st December, 2009, which is the first since my assumption of office as the Governor of the CBN on June 4, 2009. The year was generally an eventful one in many respects for the CBN as it also marked its 50th anniversary. It was also a particularly active and challenging year for the Bank, given that I came to the Bank at a time that the Nigerian banking sector was facing serious difficulties and its stability and soundness were being questioned by stakeholders.

During the year, the CBN witnessed several remarkable changes at the governance and institutional levels. Let me start by acknowledging the contributions of my predecessor, Professor Chukuma C. Soludo during his tenure in office. Also, the contributions of Mr. Ernest C. Ebi (Deputy Governor, Corporate Services), whose term expired, and Professor Akpan H. Ekpo as well as Mrs. Juliet Madubueze, who both left the Board are highly appreciated. Let me also congratulate Mr. Tunde Lemo whose appointment, as Deputy Governor, was renewed for a second term and Dr. Kingsley C. Moghalu for his appointment as Deputy Governor. Dr. Ochi Achinivu joined the Board by virtue of his position as the Permanent Secretary, Federal Ministry of Finance while Mr. Stephen O. Oronsaye, Head of the Civil Service of the Federation, was appointed to replace Professor Akpan H. Ekpo. Mr. Oronsaye would have left the Board after moving on from his portfolio as the Permanent Secretary, Federal Ministry of Finance. However, given his wealth of experience and contributions to the Board, I believed strongly that his departure at the time would have deprived the Bank of his invaluable input into the work of the Board at such a critical time. In this regard, therefore, I requested, and the President kindly acceded and approved, that Mr. Oronsaye be appointed to the Board on his own personal merit and I believe that the CBN is the better for it. It is, my pleasure to warmly welcome all our new colleagues, whom I believe, given their background and wealth of experience, would make meaningful contributions to the work of the Board of the CBN.

In 2009, Nigeria, like many other countries hit by the global financial crisis, felt the pains of the financial meltdown, with the banking system being the worst affected resulting in a near crisis, largely on account of lax corporate governance and weak risk management in the banks, amongst other factors. It was in recognition of this, and against the backdrop of the outcome of the preliminary examination of some banks, that I had announced in my press briefing on August 14, 2009, series of measures aimed at sanitizing and strengthening the sector in order to restore confidence in the industry. The steps taken to stabilize the system included the injection of capital and the removal of the management in the banks where failure in corporate governance was most grave.

During the year, the Bank's policies and operations remained firmly anchored on the achievement of its principal objects as contained in the CBN Act, 2007. Thus, beside the

Bank's liquidity management activities through the appropriate mix of policy instruments, the Bank focused attention on ensuring/strengthening the stability of the banking system following the erosion of the capital base of some deposit money banks, as a result of overtrading and unethical practices, as well as weak credit processes leading to a large portfolio of non-performing loans.

Overall, despite the negative effects of the global financial and economic crises, the domestic economy remained resilient, with sustained robust economic growth, measured in terms of the gross domestic product (GDP) of an estimated 6.7 per cent, up from 6.0 per cent in 2008. The development was largely attributed to the continued strong performance of the non-oil sector, and a turnaround in the fortunes of the oil sector in the second half following progress in the peace talks in the Niger delta and improvements in oil output and price. Economic growth is expected to improve further as several deep structural problems such as low international competitiveness occasioned by huge infrastructural deficiencies are resolved. In the banking sector, the on-going challenge is to reinforce the rebuilding of the most basic element of banking business, which is public confidence and incentivizing the banks to resume lending to the real sector of the economy. Others include improving the level of information on debtors, entrenching greater transparency in operations and enhancing the asset-liability management capability including operational risks in the banks.

Looking ahead, the blueprint for reforming the Nigerian financial system in the next decade, which is expected to address the various lingering issues has been enunciated under the "Project Alpha Initiative". The initiative is built around four pillars namely: enhancing the quality of banks; establishing financial stability; enabling healthy financial sector evolution; and ensuring that the financial sector contributes to the economy. Its implementation has commenced, and with support from all stakeholders, we are optimistic that Nigeria's macroeconomic performance and, indeed, that of the financial sector will continue to improve.

Let me conclude on behalf of the Board of Directors of the CBN, by expressing sincere appreciation to the Staff of the Central Bank of Nigeria for their support, dedication, hardwork and loyalty, which contributed to the successes achieved in 2009. My gratitude also goes to the Presidency, the leadership of the National Assembly, Honourable Ministers, our development partners, organized private sector as well other stakeholders for their unflinching support and cooperation.



**Sanusi Lamido Sanusi**

Governor

April 2010