

## Chairman's Statement

- Dr. Kingsley Moghalu  
Chairman, FITC Board

### Introduction

It is with great pleasure that I welcome you all to the 27th Annual General Meeting of FITC, and to also present to you the Annual Report and Audited Accounts of FITC for the year ended 31st December, 2010. Distinguished ladies and gentlemen, before I proceed with my presentation, I would like to highlight some of the developments in the business environment within which FITC operated during the period under review.

### The Global Terrain

The global economy continued its gradual recovery from the global recession triggered in 2007. Though there were areas of instability in some regions of the world that threatened the recovery, there were significant indications that the global economic environment witnessed a measure of rebound in the period under review. For instance, the world Gross Domestic Product (GDP) grew at approximately 5.25 per cent, with world industrial production and global trade increasing at 15 per cent and 40 per cent respectively. Generally, most regions of the world recorded slight increases in their GDP. For instance, Asia recorded an increase of 9.4 percent in 2010, from 6.9 per cent in the preceding year and Sub-Saharan Africa grew from 2.6 percent to 5 per cent during the year. It is anticipated that this trend will be sustained by proactive policies and practices by governments to mitigate potential downside risks, accelerate economic revival, re-ignite confidence across the globe and restore the global economy to its lost glory. The global financial system also received a major boost, with the introduction of a new global regulatory framework referred to as "Basel III" and the marking of a new minimum requirements and capital buffers approved by the Basel Committee on



Banking Supervision (BCBS) and its governing body, Group Governors and Heads of Supervision (GHOS) of the Financial Stability Board (FSB). The development was necessitated by the need to improve the quality and quantity of banks' capital and more importantly, enhance the global banking system through several prudential measures such as enhancement in the quality of capital; significant increase in the level of capital; promotion of a build-up of capital buffers and improvement in the risk coverage of capital framework - all geared towards supporting a sustainable economic recovery.

### The Domestic Scene

On the domestic front, as Nigeria intensified efforts to recover from the global economic crisis and build on the gains of the preceding year, the Nigerian economy posted a fairly impressive economic performance in 2010. Its GDP grew marginally from 6.96 per cent in 2009 to 7.85 per cent in 2010. This improvement was largely driven by the non-oil sector, with agriculture, wholesale and retail trade contributing 2.39, 2.04 and 2.08 percent respectively. Similarly, the naira experienced relative stability, despite falling foreign reserve, which depleted from





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\$42.4 billion recorded in 2009 to \$32.4 billion in 2010.

The Capital Market was not left out as it also posted improved performances in 2010, in spite of the decline associated with the global financial and economic crises in 2008/2009. For instance, the volume and value of transactions recorded indicates that the All-Share Index (ASI) rose to 24,770.52 points as at end of December 2010, up from 20,827.17 points recorded as at end December, 2009, representing a growth of 18.93 per cent. Market Capitalization (MC) also rose from N4.98 trillion as at end of December 2009 to N7.91 trillion as at end of December 2010, representing a growth of 58.83 per cent. Meanwhile, the challenge of unemployment, inflationary pressures and energy crisis persisted throughout the year under review.

### The Financial Services Sector

Understandably, the financial services sector witnessed a sharp decline in credit to the real sector of the economy in 2010 largely due to huge levels of Non Performing Loans (NPLs) in banks. However, the Federal Government consolidated on the gains of the banking sector reforms with the establishment of the Asset Management Corporation of Nigeria (AMCON), following the passage of the enabling Act by the National Assembly and Assent by the President. The AMCON is part of a broad resolution strategy aimed at addressing the problem of non-performing loans in the Nigerian banking industry, assist with the recapitalization of the rescued banks and also serve as a debt restructuring vehicle. This laudable initiative, derived from the need to stimulate the recovery of Nigeria's financial system, was also expected to boost liquidity in troubled banks and increase access to restructuring/refinancing

opportunities for borrowers. Invariably, leading to gradual restoration of customers' confidence in the financial services sector.

Furthermore, the Central Bank of Nigeria reviewed the tenure limit for Managing Directors of the Deposit Money Banks (DMBs), placed time restrictions on the eligibility of the Managing and Executive Directors of NDIC as well as the Governor and Deputy Governors of the CBN, upon exit, from taking up positions within the banking industry. These new policy directives were introduced to enhance corporate governance in the banking industry, and to also ensure that those who supervise the banking industry are not compromised by insider considerations.

Within the review period, the CBN reversed the Universal Banking Policy due to the inherent aggregation of risk in that model and reverted to the banking model aimed at restricting commercial banks to core banking business and ring-fencing depositors' funds from proprietary trading. The new licensing regime, with varying capital requirements, allows for Commercial Banking (with options of International, National or Regional authorizations), Merchant Banking and Specialized Banking Licenses. This followed the draft guideline issued in the second quarter of the year aimed at promoting a sound financial system and clarity to the market on the terms for commercial banking business in accordance to section 57(1) of BOFIA Cap. B3 Laws of the Federation of Nigeria 2004, and other enabling powers in that regard.

### The Operations of FITC

During the review period, the FITC recorded two major landmark achievements. The first was the relocation of FITC to its own Office Complex located at 164/166 Murtala Muhammed Way, Ebutte - Metta Lagos,



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after almost 30 years of the institution's establishment. This Complex was commissioned by the Governor of the Central Bank of Nigeria, Mallam Sanusi Lamido Sanusi, on July 30 2010. The second was its finally obtaining the Lagos State Governor's consent and title documents to its proposed Lekki campus, a 6.48 hectares land. These symbolic, developments which had great impacts on the networth of the FITC further consolidated the gains on refreshed brand essence, internal capacity, processes, systems and corporate culture. These historic milestones attest to the FITC management's continued efforts in repositioning the FITC as a best in class special purpose not-for-profit professional services firm within Nigeria and across the West African Region.

In terms of services provided, FITC Training organised 109 courses during the year under review, depicting an increase of 47.30 per cent when compared with the 74 courses delivered during the preceding year. Of this number of courses delivered, 63 were organised as financial system-wide courses as against the previous year's 54, representing an increase of 16.66 per cent. Also 32 courses were organised as customised in-plants specific to stakeholder organisations as against the 15 in-plant courses delivered in the previous year. It is also worth noting that 4 collaborative programmes were organised as against 5 in the previous year. Thus in all, FITC recorded a total of 1,873 participants at its training programmes within 2010, as against 1,556 in the previous year - an increase of 20.37 per cent. It is also worth noting that the fifth edition of the Continuous Education Programme for Bank Directors was organised in collaboration with the Central Bank of Nigeria and a total of 68 participants attended the programme. In

the same vein, the fourth edition of the Continuous Education Programme for Directors of Primary Mortgage Institutions was held in collaboration with the Mortgage Banking Association of Nigeria (MBAN), with 43 participants in attendance.

To further boost the efforts of financial institutions in inculcating the practice of risk management as a corporate culture, the FITC organized an international workshop, in collaboration with Risk Reward (UK), for bank directors on Embedding Risk Management into the Corporate Culture: An Insight for the Board in Dubai. Other notable training programmes organised during the year include the Basel II & Risk Management as well as IT Audit Using ACL/CAAT Software.

In terms of consulting assignments, FITC Consulting carried out 17 consulting assignments for different clients cutting across categories such as Human Resource Management (staff recruitment, promotion examinations, executive selection); Programme Management (retreats, seminars) and Organisation Development (board evaluation, skill assessment audit) etc. This indicates an increase of 41.67% over the 12 consulting assignments delivered in previous period.

In terms of publications, FITC Research published its regular bi-annual and quarterly periodicals, in addition to a special edition of its widely-read Journal of Banking and Finance with a primary focus on contemporary economic issues. It also finalized an arrangement with the NDIC to conduct a joint research on "The Framework for Credit Management in Nigerian Banks". All these are in fulfilment of FITC's primary mandate to facilitate the provision of solution to the challenges facing the industry, publish thought leadership materials, advocate for policy adjustments based on



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research findings and explore solutions that positively impact its stakeholders with services aimed at growing human capacity development in the financial services sector.

### Staff Matters

FITC witnessed one resignation and one termination within the review period. It also recruited 5 staff to fill some existing vacant positions, whilst 18 staff were promoted during the year in recognition of their performance and alignment to the reviewed FITC corporate culture. In line with its internal capacity enhancement drive and corporate repositioning, FITC's sent 54 staff on various training programmes within Nigeria during the year and sponsored 4 staff on international training programmes. Also, various internal learning activities and interventions in the form of seminars, workshops etc. were organized to complement the FITC's aspirations for continually developing its human capacity. Overall, FITC's employee demographics as at 31st December 2010 indicates that it generally consists of an agile workforce, in that 70% of its employees were aged between 26 and 40, with about 60.3% male and 39.7% female. In terms of working experience, 20% of FITC's employees had 5-10 years post qualification working experience, while 39.7% had 10-30 years post qualification working experience. As a learning organisation in services provided as well as corporate philosophy and practice, data indicates that as at 31st December 2010, FITC had attained 3,586 total annual training hours for its 58 permanent staff, which translated to 61.83 hours as average strategic training hours per staff during the review period.

### Conclusion

Distinguished ladies and gentlemen, from

the foregoing, you will agree with me that 2010 was a remarkably challenging year for institutions in the financial services sector not only because of the pains of recovering from the global economic recession, but also because of the wave of needed reforms across the sub-sectors, which necessarily impacted their operations, people, processes, structure, strategy and finances in diverse ways. In spite of these challenges as witnessed by most of FITC's stakeholders, the FITC management and staff, under the able leadership of its Managing Director/CEO, Dr. Lucy Newman, consolidated on the gains of the transformations initiated in the previous year. This enabled FITC to increase its total assets from N1,019,288,000.00 in 2009 to N1,508,144,000.00 in 2010 - an increase of 47.96 per cent. This total assets figure places FITC in a very competitive position, against its peers. However, certain developments in the business environment including the crash of interest rates in the money market negatively impacted FITC's investments income during the review period. Additional adjustments and reduced patronage by FITC's primary stakeholders as a result of industry developments in the year as indicated, sparked a diminution in FITC's operating surplus from N 151,701,000.00 in 2009 to N31,614,000.00 in the year under review, signifying a decline of 79.16 per cent. For a not-for-profit organization, a growth in networth despite such a development is understandable in the prevailing circumstance and in aspiration of synergies derivable in the near term. This notwithstanding, I want to seize this opportunity to commend the Managing Director/CEO, Dr. (Mrs.) Lucy Newman and her team for the virtual transformation of FITC within such a short period. Not only



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have they moved FITC to its new office building and secured title to the Lekki campus, but have redefined leadership and governance in the system. These innovations have continued to enhance service quality and the FITC brand, to the extent that during in the year under review, FITC competed with and won an assignment that would have traditionally been won by one of the big four professional services firms in the world. To me, this is a great achievement that FITC can build upon as it marches on to be a competitive regional player.

On behalf of the FITC Board, I acknowledge the support and encouragement given FITC by stakeholders including the Central Bank of Nigeria (CBN), the Nigeria Deposit

Insurance Corporation (NDIC), National Insurance Commission (NAICOM), National Health Insurance Scheme (NHIS), Securities and Exchange Commission (SEC), Sterling Bank Plc, Skye Bank Plc and Zenith Bank International Bank Plc, amongst others. I thank you all and urge all of us not to relent, but to stay focused on pursuit of FITC's strategic objectives as defined. Finally, I would like to express my profound gratitude to the Board for their support and sustained active engagement, which has made FITC the emerging preferred professional services provider in the financial services sector.

Thank you all for your kind attention.

Dr. Kingsley Chiedu Moghalu  
Chairman, FITC Board