

Appendix A1

Balance Sheet
As at 31 December 2011

	Note	2011 ₦' Million	2010 ₦' Million
Assets:			
External reserves	2	5,426,974	4,953,779
Holdings of Special Drawing Rights	3	401,734	384,833
Nigerian Government Securities	4	388,688	345,131
Loans and advances	5	150,848	320,163
Investments	6	4,099,652	107,191
Other assets	8	593,301	475,647
Fixed assets	9	261,057	208,192
		11,322,254	6,794,936
Liabilities:			
Deposit accounts	10	5,308,807	4,145,816
Central Bank of Nigeria instruments	11	1,537,535	105,878
Notes and coins in circulation	12	1,566,047	1,378,135
International Monetary Fund allocation of Special Drawing Rights	14	401,779	384,870
Other financial liabilities	15	2,227,908	587,647
		11,042,076	6,602,346
Capital and reserves:			
Share capital	18	5,000	5,000
General reserve fund	19	94,575	83,477
Fixed assets revaluation reserve	20	61,575	57,069
Foreign currency revaluation reserve	21	94,144	14,070
Reserve on fund managers' investments	22	24,884	32,974
		280,178	192,590
Liabilities and Equity		11,322,254	6,794,936

_____	Governor	23 February 2012
_____	Director	23 February 2012
_____	Director	23 February 2012
_____	Director of Finance	23 February 2012

The accounting policies on pages 205 to 210 and the notes on pages 211 to 227 form part of these financial statements.

Appendix A2

Income and Expenditure Statement
For The Year Ended 31 December 2011

	Notes	2011 N'Million	2010 N'Million
Interest income	23	196,418	106,742
Interest expense	24	(77,021)	(33,921)
Net Interest Income		119,397	72,821
Realised gain on foreign currency	21	41,022	354,712
Other operating income	25	150,771	134,648
		311,190	562,181
Provision no longer required/(Provision for bad and doubtful debts)	26	7,048	(206,400)
Operating Costs	27	(238,085)	(309,288)
Surplus before appropriation		80,153	46,493
Appropriation:			
Transfer to general reserve fund	19	16,031	11,623
Transfer to Federal Government of Nigeria under S.5 (3) of the Central Bank of Nigeria Act 2007	16	64,122	34,870
		80,153	46,493

The accounting policies on pages 205 to 210 and the notes on pages 211 to 227 form part of these financial statements.

Appendix A3

Statement of Cash Flows
For The Year Ended 31 December 2011

	Notes	2011 N'Million	2010 N'Million
Cash flow generated from/ (utilized by) operating activities			
Cash generated from/ (utilised by) operating activities	28	4,611,059	(1,127,029)
Net cash generated from/ (utilised by) operating activities		4,611,059	(1,127,029)
Cash flow utilised by investing activities			
Purchase of fixed assets		(52,281)	(58,567)
Proceeds from sale of fixed assets		321	12
Deposit for shares		-	(5,493)
Increase in Investment		(3,992,461)	(18,667)
Net investment in Government bonds		(43,557)	44,440
Net cash utilised by investing activities		(4,087,978)	(38,275)
Cash flow utilised by financing activities			
Surplus paid to the Federal Government of Nigeria		(32,985)	(39,712)
Net cash utilised by financing activities		(32,985)	(39,712)
Increase/ (Decrease) in cash and cash equivalents		490,096	(1,205,016)
Balance at the beginning of the year		5,338,612	6,543,628
Increase/ (Decrease) in cash and cash equivalents		490,096	(1,205,016)
Balance at the end of the year		5,828,708	5,338,612
The balance at the end of the year is analysed as follows:			
Bank balances		5,769,581	5,218,256
Sundry currencies		59,127	120,356
		5,828,708	5,338,612

Appendix B1

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies were adopted by the Bank in the preparation of its financial statements and have been consistently applied:

a. Basis of presentation

These are the financial statements of the Central Bank of Nigeria (CBN or the Bank), a body corporate established by the Central Bank of Nigeria Act of 1958 as amended by the CBN Act No. 7 of 2007. The financial statements are prepared under the historical cost convention as modified by the valuation of certain fixed assets and comply with the accounting policies set out below:

b. Consolidation

Subsidiary undertakings, which are those companies in which the Bank, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over their operations, have not been consolidated. These entities are not consolidated because their activities and accounting policies are different from those of the Bank. Such entities are accounted for as long-term investments.

c. Foreign currency activities

Foreign currency transactions are recorded in Naira, using the exchange rates prevailing at the dates of the transactions. Differences arising at the dates of settlement are recognized in the income and expenditure account.

At the balance sheet date, assets and liabilities denominated in foreign currencies are converted to Naira, using the closing rate except where a balance is to be settled at a contracted rate, then that rate is used. All differences arising on conversion are taken to the income and expenditure account, except differences on long-term foreign currency monetary items which are deferred and taken to the income and expenditure account on a systematic basis over the remaining lives of the monetary items concerned.

d. External reserves

Gold reserves are held for long-term purposes and are not being traded. It is carried at cost.

External reserve balances at year-end are converted into Naira in accordance with the policy in "c" above. All gains and losses realized on external reserve balances are recognized as follows: revaluation gains and losses on reserves due to the Federal Government of Nigeria (FGN) are for the account of the FGN and, consequently, all translation profits and losses are transferred to the respective deposit accounts of the FGN: Revaluation gains and losses on external reserve balances of the Bank are transferred to its Foreign Currency Revaluation Reserve Account.

e. Loans and receivables

The following assets have been classified as loans and receivables for the purposes of assessing their recoverability: loans and advances; amounts due by liquidator of distressed banks; and other assets.

A specific credit risk provision is established to provide for Management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This provision is made for each account that is not performing in accordance with the terms of the related facility. The basis is as follows:

<u>Interest and/or principal outstanding for over</u>	<u>Classification</u>	<u>Provision</u>
90 days but less than 180 days	Sub-standard	10%
180 days but less than 360 days	Doubtful	50%
360 days and over	Lost	100%

In addition, a provision of 1% is made for all performing risk assets to recognize losses in respect of risks inherent in any credit portfolio. The 1% provision is applicable to only loans and advances.

Provisions for losses on doubtful receivables are recognized in the income and expenditure account.

When a loan is deemed not collectible, it is written off against the related provision for loan losses and subsequent recoveries are credited to income.

Risk assets in respect of which a previous provision was not made are written directly to the income statement when they are deemed to be not collectible.

In addition to the above basis, Management subjectively makes provisions for loans on the basis of their assessment of the likelihood of recoverability of the facility, and/or risks inherent in such facilities.

f. Investment securities

The Bank's investments in securities are categorized into: long-term investments and short-term investments.

(i) Long term investments

Long-term investments are equity and debt held by the Bank over a long period of time to earn income.

Long-term investments are carried at cost. When there has been a permanent decline in the value of an investment, the carrying amount of the investment is written down to recognize the loss. Such a reduction is charged to the income statement. Reduction in the carrying amount is reversed when there is an increase, other than temporary, in the value of the investment, or if the reasons for the reduction no longer exist.

(ii) Nigerian Government Securities

Nigerian Government Bonds represent debt instruments issued by the Federal Government of Nigeria (FGN) in which the Bank has invested. These bond issues are normally underwritten by the Bank and the investments arise as a result of crystallization of its underwriting commitment.

Treasury bills of the Federal Government of Nigeria are initially recorded at cost and subsequently measured at amortized cost.

Treasury bonds and development stocks are initially recorded at cost, plus the incidental cost of acquisition and subsequently measured at amortised cost. A decline in value is not taken into account unless it is considered to be permanent. Where a permanent decline in the value of such bonds and development stock are deemed to have occurred, the carrying amounts of these bonds are written down to recognize the loss.

Interest earned on investment securities is reported as interest income. Dividend received is reported as dividend income.

g. Fixed Assets

All items of fixed assets are initially recognized at cost. Cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent measurement –Fixed assets at historical cost

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the income and expenditure account during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a straight line basis to write down the cost/valued amounts of fixed assets to their residual values over their estimated useful life at the following rates:

Land and Buildings	2.0%
Motor Vehicles:	
Buses	12.5%
Cars	20.0%
Lorries	10.0%
Plant and equipment	
Air conditioners, generators and water pumps	15.0%
Currency processing machines	10.0%
Furniture and Fittings	20.0%
Computer software/hardware	33.3%

Costs related to fixed assets under construction or in the course of implementation are disclosed as capital work-in-progress. The attributable cost of each asset is transferred to the relevant category immediately the asset is put into use and then subjected to depreciation.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the income and expenditure account for the year.

h. Borrowings (loans)

Borrowings are recognized initially at their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Interest paid on borrowings is recognized in the income and expenditure accounts for the year on a prorata basis.

i. Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability in respect of notes and coins in issue at the balance sheet date is stated at the nominal value of the currency.

j. Central Bank of Nigeria instruments

Central Bank of Nigeria instruments comprises Promissory Notes and Open Market Operations Bills.

Central Bank of Nigerian Promissory Notes represent short- to medium-term debt instruments issued by the Bank to commercial banks assuming net liabilities under the Purchase and Assumption distress resolution programme for banks which could not meet the minimum capital requirement for licensed banks. Promissory Notes are recognized at the face value of the instrument.

Open Market Operations Bills represent short-term debt instruments of the Bank issued to commercial banks as a liquidity management tool. They are recognized at cost less any unamortized premiums/discounts.

Interest paid on these instruments is recognized in the income and expenditure account for the year.

k. Retirement benefits

The Bank operates a defined benefit plan and a contributory retirement savings scheme as required by the Pension Reforms Act of 2004. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Bank and the employees pay fixed contributions into a separate entity. The Bank contributes 15% of basic salary, housing and transport allowances of the qualifying employees while the employees contribute 7.5% on the same basis towards the pension plans.

For the defined benefit plan, the employer's obligation is calculated periodically by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial deficit arising from adjustments and changes in actuarial assumptions are to be amortised systematically over a period of not more than three (3) years.

For defined contribution plans, the Bank pays contributions to privately administered pension fund administrators on a monthly basis. The contributions are recognized as employee benefit expense in the income and expenditure account. The Bank has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

I. Provisions

Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of a past event for which it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

i. Internal Currency insurance

This provision is accumulated to cover possible losses that could arise on currency stock held within the Bank and in transit. The provision is determined as premium payable to provide insurance cover over such losses.

ii. Contingency/Guarantees

Contingency/Guarantees provisions are determined on the basis of experts' valuation (where applicable) and/or the best estimate by Directors of the Bank of the probable resources required to meet the Bank's present obligations, if and when they crystallise.

iii. Self-insurance schemes

The Bank operates self-administered insurance schemes through duly constituted trustees for all potential losses for currency in transit and in vaults and for replacement and major repairs for its fleet of vehicles. Annual appropriations are made, based on past experience.

These schemes are fully funded and managed independent of the Bank's operations.

m. Sale and repurchase agreements

The Bank has entered into repurchase agreements as part of its monetary policy activities. Securities purchased under agreements to resell are recorded under the heading "Loans and Advances" as loans and receivables. Securities sold under agreement to repurchase are disclosed as reverse repurchase agreements included in deposit accounts.

The underlying Securities purchased under repurchase agreements are not recorded by the Bank. Likewise, underlying securities sold under repurchase agreements are retained in the books of the Bank.

The differences between the purchase and sale prices are treated as interest and recognized on an accrual basis.

n. Appropriations

In accordance with Section 22(1) and (2) of the Fiscal Responsibility Act (FRA) 2007, the Bank makes an annual appropriation representing twenty per cent of the operating surplus of the Bank for the year to a general reserve fund.

All remaining surplus after the statutory appropriation to the general reserve fund is payable to the Federal Government of Nigeria not later than one month following the deadline for publication of the financial statements of the Bank. This is in accordance with Section 22(1) and (2) of the Fiscal responsibility Act (FRA) 2007.

o. Cash flow

For the purpose of the cash flow statement, cash and cash equivalents comprise sundry currency balances and bank balances with foreign banks.

p. Revenue recognition

Interest income and expenses are recognised on a time proportion basis, taking account of the principal outstanding amount and the rate over the period to maturity.

Interest income and expenses are recognised in the income and expenditure account for all interest-bearing instruments on an accrual basis. Where the instrument is deemed to be non-performing, interest income is suspended and recognized on a cash basis. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its determined amount at maturity.

Fees and commissions, where material, are amortized over the life of the related service. Otherwise fees, commissions and other income are recognized as earned upon completion of the related service.

Dividends are recognized when the right to receive payment is established.

Other revenue arising from the provision of services to clients is recognized on an accrual basis in accordance with the substance of the relevant transaction.

q. Currency issuance and management expenses

Note-printing and coin-minting expenses include ordering, printing, minting, freight, insurance and handling costs. These costs are recorded as prepaid expenses and subsequently released to the income and expenditure account when the currency is delivered to the Bank.

Appendix B2

Notes to the Financial Statements for the year ended 31 December, 2011

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NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Central Bank of Nigeria (CBN or the Bank) is the apex regulatory authority of the banking system in Nigeria. It was established by the **Central Bank of Nigeria Act of 1958**, as amended by the CBN Act No 7 of 2007. It commenced operations on 1 July 1959.

The issued capital of the Bank is wholly owned by the Federal Government of Nigeria. The principal objectives of the Bank 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, act as banker to the Federal Government and Federal Government Parastatals, and provide financial advice to the Federal Government of Nigeria.

2. External reserves

	2011 N' Million	2010 N' Million
Convertible Currencies (see notes 2a and 2b)	5,426,932	4,953,737
International Monetary Fund Reserve tranche	23	23
Gold	19	19
	5,426,974	4,953,779
(a) Convertible currencies comprise:		
Current account with foreign banks	1,468,602	821,585
Time deposits and money employed	1,486,411	1,872,343
Domiciliary accounts	809,914	469,834
Other foreign securities	1,602,878	1,669,619
Sundry currencies and travellers' cheques	59,127	120,356
	5,426,932	4,953,737

Included in convertible currencies is an amount of ₦2,839 billion, (2010 – ₦2,047 billion), which represents the Naira value of foreign currencies held on behalf of customers in various foreign accounts for letters of credit transactions and other purposes. The corresponding liability for this amount is included in deposits. (see note 10b)

Appendix B2 (Cont'd)

	2011 N' Million	2010 N' Million
(b) Convertible currencies are further analysed by Currency		
United States Dollar	4,883,747	4,064,423
British Pounds Sterling	117,885	193,191
Euro	398,211	688,903
Japanese Yen	3,102	4,230
Chines Renminbi	15,787	
Others	8,200	2,990
	5,426,932	4,953,737
3. Holdings of Special Drawing Rights		
At 1 January	384,833	352,465
Acquisitions during the year	-	34,274
Interest earned in the year	1,729	992
Charges for the year	(1,734)	(1,034)
Revaluation gains/(loss)	16,906	(1,864)
At 31 December	401,734	384,833
4. Federal Government Securities		
Nigerian Treasury Bills	113,974	44,169
Nigerian Treasury Bonds	202,412	228,651
Nigerian Development Stocks	-	9
FGN Bonds	72,302	72,302
	388,688	345,131

The CBN invested in Nigeria Treasury Bonds with coupon rates of 5% - 12.5%. The last Treasury bond will mature on 15 October 2024. The Bank as directed by the Federal Government through a refinancing arrangement purchased promissory notes issued by the Federal Government of Nigeria to Union Trustees in respect of loans granted to Transnational Corporation of Nigeria Plc. by a consortium of banks (represented by Union Trustees Limited). The promissory notes have been converted to 5.5%, 7th FGN Bonds worth N72 billion on 19th August 2010 with the maturity date of 19th February 2013.

	2011 N' Million	2010 N' Million
5. Loans and advances		
Overdraft balances & short-term advances	68,929	263,571
Staff loans	6,081	5,165
Loans to DMBs on Commercial Agricultural Credit Scheme (Note 15)	154,163	95,606

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	2011 ₦' Million	2010 N' Million
Advances to Federal Mortgage Bank of Nigeria	9	9
Other loans	13,325	12,794
Long-term loans (see 5(b))	552,746	603,319
	795,253	980,464
Provision for loan losses (Note 5a):	(644,405)	(660,301)
	150,848	320,163

	2011 ₦' Million	2010 ₦' Million
5a Movement in provision for loan losses		
At 1 January	660,301	497,395
Eliminated through forbearance	-	(36,940)
	660,301	460,455
Provision for the year	577,581	199,846
Provision no longer required	(593,477)	-
At 31 December	644,405	660,301

Overdraft balances and short-term advances

Overdraft balances represent lending to customers and are collateralized by Treasury Bills and Federal Government Bonds.

Other loans

Other loans represent accommodation to distressed and liquidated banks. These have been fully provided for.

	2011 ₦' Million	2010 ₦' Million
5b Long term loans:		
At 1 January	603,319	637,000
Addition in the year	500,000	3,694
Repayments during the year	(550,573)	(435)
Eliminated through forbearance	-	(36,940)
	552,746	603,319

Appendix B2 (Cont'd)

Details of benefitting banks and amounts granted by CBN:

	2011	2010
Mainstreet Bank Ltd. (formerly Afribank Plc)	-	50,000
Keystone Bank Ltd. (formerly Bank PHB Plc)	-	70,000
Finbank Plc	-	50,000
Intercontinental Bank Plc	-	100,000
Oceanic Bank Plc	-	100,000
Societe Generale Bank Ltd	2,685	3,258
Enterprise Bank plc. (formerly Spring Bank Plc)	-	60,000
Union Bank Plc	-	120,000
Wema Bank Plc	50,061	50,061
Asset Management Corporation of Nigeria	<u>500,000</u>	<u>-</u>
	<u>552,746</u>	<u>637,000</u>

Except for Societe Generale Bank Ltd., long term loans to deposit money banks represent Central Bank of Nigeria's 7-year special intervention support to under-capitalized deposit money banks at an interest rate of 5.75% per annum as at 31 December 2011 (2010: 3.25% per annum). A provision of 100% has been effected in the financial statements as at 31 December 2011 for the loan balance. Repayment in the year was financed with Assets Management Corporation of Nigeria (AMCON) issued bonds.

Included in long term loans is Central Bank of Nigeria's ten year bank recapitalization intervention fund to the Asset Management Corporation of Nigeria at an interest rate of 2% per annum. There would be a bullet repayment at the end of the facility tenor while interest payment is on quarterly basis. A provision of 100% has been effected in the financial statements as at 31st December 2011 for this fund.

During the year, the banking licenses of Afribank plc, BankPHB plc and Spring Bank plc were revoked. Three new Bridge Banks (Mainstreet Bank Ltd., Keystone Bank Ltd. and Enterprise Bank Ltd.) were formed to purchase the legally transferrable assets and assume the deposits and other liabilities of the three banks respectively through Purchase and Assumptions agreement between the Nigeria Deposit Insurance Corporation and the Bridge Banks. The Assets Management Corporation of Nigeria has acquired 100% holding in the Bridge Banks as at 5th August 2011.

6. Investments		2011 ₦' Million	2010 ₦' Million
	Percentage Holding		
Investments in subsidiaries and associates:	%		
Abuja Securities & Commodity Exchange	51	408	408
Africa Finance Corporation	42	57,958	57,958
Asset Management Corporation of Nigeria	50	5,000	250
Bank of Industry	40	2,708	2,708
National Economic Reconstruction Fund	33	100	100
Nigerian Agricultural Cooperative and Rural Development Bank	40	4,027	4,027

Appendix B2 (Cont'd)

		2011 N' Million	2010 N' Million
Nigeria Deposit Insurance Corporation	60	1,380	1,380
Nigerian Security Printing and Minting Company Plc (NSPMC)	77	23,575	13,390
Nigerian Export Import Bank	40	25,000	25,000
		120,156	105,221
Other Investments:			
Agricultural Credit Guarantee Scheme Fund	40	1,200	1,200
Asset Management Corporation of Nigeria (AMCON) Bonds		3,476,783	-
Federal Mortgage Bank of Nigeria		60	60
Nigerian Interbank Settlement System	4	53	53
International Islamic Liquidity Management Corporation of Malaysia	7	743	-
Bank of Industry Debenture		500,000	-
6% Perpetual Debentures in Nigerian Export Import Bank		1,250	1,250
		3,980,089	2,563
		4,100,245	107,784
Provision for diminution in value of investments		(593)	(593)
		4,099,652	107,191

The Bank invested in AMCON Bonds during the year as part of its liquidity management function. The AMCON bonds have yield of 10.13% - 13% and are expected to mature in December 2013, August 2014 and October 2014. The income earned on the bonds during the year has been recognized in the income and expenditure account.

The Bank invested in the debenture stock by the Bank of Industry (BOI). The investment is for the funding of intervention activities initiated by the Bank and was executed through the BOI. The sum of N300 billion will be applied to power projects and N200 billion applied to the refinancing/restructuring of Deposit Money Banks' existing loan portfolios to Nigerian small and medium scale enterprise and the manufacturing sector. As at 31st December, 2011, a total of N390.26 billion has been disbursed to the BOI and the balance of N109.74 billion is included in sundry payables (Note 15).

7. Amount paid out in respect of the following distressed banks

	2011 N' Million	2010 N' Million
African Express Bank	691	663
African International Bank	5,202	2,300
All States Trust Bank	16,037	15,922
Assurance Bank	4,475	4,475

	2011 ₦' Million	2010 ₦' Million
City Express Bank	5,372	5,372
Gulf Bank	6,201	6,108
Hallmark Bank	2,999	2,979
Lead Bank	3,821	3,821
Trade Bank	7,510	7,303
	<u>52,308</u>	<u>48,943</u>
Provision for doubtful balances	(52,308)	(48,943)

The Bank entered into Purchase and Assumption arrangements with the Nigeria Deposit Insurance Corporation (NDIC) and some banks over private sector deposits and certain capital assets of some distressed banks in liquidation. Accordingly, the Bank issued promissory notes for the net liabilities assumed. See Note 11 for the liability in respect of the promissory note issued.

8. Other assets

Due from Agricultural Credit Guarantee Scheme Fund	810	711
Accrued interest receivable	13,163	13,805
Accounts receivable	29,751	29,738
Deposit for shares	4,947	20,625
Sundry receivables (Note (8a) below)	554,829	415,484
	<u>603,500</u>	<u>480,363</u>
Provision for doubtful balances	(10,199)	(4,716)
	<u>593,301</u>	<u>475,647</u>

Deposit for shares represents deposits made by the Bank with respect to equity of the Bank of Industry. The shares have not been allotted as at 31st December 2011.

8a. Sundry receivables are further analysed as:

Deferred interest and prepayments	102,459	8,292
IMF Quota	433,744	402,747
Cheques in clearing	15,233	3,522
Others	3,393	923
	<u>554,829</u>	<u>415,484</u>

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9. Fixed Assets

	Land & buildings	Plants & equipment	Furniture & fittings	Computers	Motor vehicles	Capital work in progress	Total
	₦'M	₦'M	₦'M	₦'M	₦'M	₦'M	₦'M
2011:							
Cost/valuation:							
At 1-January	79,001	20,491	2,004	7,425	2,084	127,316	238,321
Adjustments	454	(627)	(103)	223	1,364	6,015	7,326
Additions	30	6,891	913	1,338	1,615	41,494	52,281
Disposals	-	(70)	-	-	(447)	-	(517)
At 31-December	79,485	26,685	2,814	8,986	4,616	174,825	297,411
Accumulated depreciation:							
At 1 January	10,466	11,739	1,855	5,381	688	-	30,129
Adjustments	1,027	2,815	(312)	(1,269)	559	-	2,820
Charge for the year	133	1,294	186	1,441	551	-	3,605
Disposals	-	(3)	-	-	(197)	-	(200)
At 31-December	11,626	15,845	1,729	5,553	1,601	-	36,354
Net book value	67,859	10,840	1,085	3,433	3,015	174,825	261,057

During the year, the Bank conducted a fixed asset verification exercise and effected adjustments as deemed necessary.

9. Fixed Assets Cont'd

2010:

	₦'M	₦'M	₦'M	₦'M	₦'M	₦'M	₦'M
Cost/valuation:							
At 1 January	79,001	27,042	2,191	5,881	4,021	77,709	195,845
Additions	-	5,192	270	2,352	1,146	49,607	58,567
Disposals	-	-	-	-	(25)	-	(25)
Adjustments	-	(11,743)	(457)	(808)	(3,058)	-	(16,066)
At 31-December	79,001	20,491	2,004	7,425	2,084	127,316	238,321
Accumulated depreciation:							
At 1 January	8,444	19,076	1,880	5,432	1,831	-	36,663
Charge for the year	2,022	946	367	694	261	-	4,290
Disposals	-	-	-	-	(25)	-	(25)
Adjustments	-	(8,283)	(392)	(745)	(1,379)	-	(10,799)
At 31-December	10,466	11,739	1,855	5,381	688	-	30,129
Net Book Value	68,535	8,752	149	2,044	1,396	127,316	208,192

Appendix B2 (Cont'd)

APPENDIX
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NOTES TO THE FINANCIAL STATEMENTS

10. Deposit accounts

	2011	2010
	₦' Million	₦' Million
Government deposits:		
-Capital/settlement accounts	1,431,683	1,703,128
-Domiciliary accounts	809,914	469,834
Other Accounts (Note 10a)	2,028,686	1,576,786
Financial Institutions:		
-Current/settlement accounts	278,686	302,527
-Bank's reserve accounts	759,838	93,541
	<u>5,308,807</u>	<u>4,145,816</u>

10a. Other accounts are further analysed as follows:

FGN PPT Naira funding account	869,851	508,898
Special reserve account	656	627
FGN excess crude oil proceeds (Naira funding) account	310,035	273,347
Letters of credit consolidated account	223,657	314,653
FGN (External creditors) funding account	5,992	42,767
NNPC/ NAPIMS cash call account	6,353	6,353
Deposits for Naira draft account	5,747	2,832
Monetary policy stabilization account	-	4,618
IMF Securities Account	430,817	397,373
Sovereign Wealth Fund	156,482	-
Sundry accounts	19,096	25,318
	<u>2,028,686</u>	<u>1,576,786</u>

10b. Foreign currency deposits held on behalf of customers for letters of credit transactions and other purposes are analysed below:

Domiciliary accounts	809,914	469,834
Other accounts	2,028,686	1,576,786
	<u>2,838,600</u>	<u>2,046,620</u>

11. Central Bank of Nigeria instruments

Central Bank of Nigeria Promissory Notes (see 11(a))

At 1 January	1,128	-
Issues during the year	3,365	4,030
Redemption in the year	(4,237)	(2,993)
Accrued interest	19	91
At 31 December	<u>275</u>	<u>1,128</u>

Open Market Operations - CBN bills (Note 11(b)):

At 1 January	104,750	50,800
Issued during the year	2,362,439	270,750
Redemption during the year	<u>(929,929)</u>	<u>(216,800)</u>

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At 31 December

Total Central Bank of Nigeria Instruments

1,537,2601,537,535104,750105,878

NOTES TO THE FINANCIAL STATEMENTS

Appendix B2 (Cont'd)

(11a) The CBN issued Promissory Notes to Ecobank Nigeria Plc. and United Bank for Africa Plc as part of a Purchase and Assumption Arrangement over the private sector deposits and certain assets of African International Bank Limited and Hallmark Bank Plc (Ecobank Nigeria Plc), City Express Bank Plc (United Bank for Africa Plc). The Promissory Notes have a tenor of 1 year and carry coupon rates of 9.05% - 12.99%.

(11b) Central Bank of Nigeria Bills represents bills of the Bank issued to commercial banks as a liquidity management tool. These instruments have tenors ranging from 7 days – 365 days and carry discount rates ranging from 7.3% - 17.05% per annum.

	2011 ₦' Million	2010 ₦' Million
12. Notes and coins in circulation		
Notes	1,564,885	1,376,993
Coins	1,162	1,142
	1,566,047	1,378,135
13. Employment benefit liabilities		
Defined Contributory scheme:		
At 1 January	-	-
Contributions/Deductions	4,540	4,345
Amount remitted to selected PFAs	(4,412)	(4,345)
At 31 December	128	-

The Bank operated a non-contributory defined benefit pension scheme (Legacy scheme) for pensioners and staff. An actuarial valuation is conducted by qualified independent actuaries yearly and the Bank provides for any deficit arising from actuarial valuation. An actuarial valuation was carried out by Messrs HR Limited (Consultants and Actuaries) as at 30th June 2011 which reported a surplus position of N4.18 billion. For retired staff under the defined benefit scheme, the Bank is obliged to pay pension until death of the last pensioner.

In accordance with the Pension Reform Act of 2004 and following approval from the National Pension Commission, the Bank introduced contributory defined contribution schemes to replace the non-contributory defined benefit schemes. Under the contributory scheme, the employee contributes 7.5% of basic salary, housing and transport allowances and the employer contributes 15% on the same basis. New employees joining the Bank from 1st January 2008 would join the defined contribution scheme. Remittances are made to the PFAs on a monthly basis. The Bank has twelve (12) approved Pension Fund Administrators under the defined contribution scheme.

From 31st December 2009, the Bank approved the discontinuance of the defined benefit scheme and its substitution with defined contribution scheme to forestall any future actuarial deficit going forward in respect of remaining employees. The Bank gave an ultimatum of eighteen (18) months from 31st December 2009 for all staff to migrate to the defined contribution scheme. A total of 498 staff exited during the period 1st January to 31st December 2011. From 1st July 2011, all staff operate under the defined contribution scheme.

Appendix B2 (Cont'd)

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NOTES TO THE FINANCIAL STATEMENTS

	2011 ₦' Million	2010 N' Million
14. IMF Allocation of Special Drawing Rights		
At 1 January	384,870	388,982
Revaluation	16,909	(4,112)
At 31 December	401,779	384,870

Special Drawing Rights (SDR) are issued by the International Monetary Fund (IMF) to member countries and represent allocations available to member countries in managing and meeting their sovereign payment obligations. The IMF calculates the daily value of the SDR in terms of the United States of America (US) Dollars by reference to a valuation basket of four currencies (USD, GBP, Euro & Japanese Yen). The applicable interest rate on SDR is set at the weekly interest rates on the basis of a weighted average of interest rates on the short-term instruments in the markets of the currencies included in the SDR allocation basket.

15. Other financial liabilities	₦' Million	₦' Million
Interest payable	595	408
Accrued charges	118,860	83,972
Surplus payable to the Federal Government of Nigeria (Note 16)	64,422	28,352
Sundry payables	405,683	223,797
Unearned income	908,052	4,139
Employee benefit liabilities (Note 13)	128	-
Payable to DMO on Commercial Agricultural Credit Scheme	200,000	200,000
Payable to Asset Management Corporation of Nigeria (AMCON)	500,000	-
IBRD – SME loan	51	51
Bank of Tokyo-Commodity loan	1	1
Other provisions (Note 17)	30,116	46,927
	2,227,908	587,647

The Bank, on 6 March 2009, obtained the approval of the Federal Government to mobilize the sum of ₦200 billion through the issuance of Federal Government Bonds for disbursement to Commercial Agric Farmers as part of CBN's developmental role in the economy. In that regard, the CBN signed an MoU with the DMO to source and issue the said bond at the rate of 10.14% which is the average of the marginal rates for the three-year bond from March to July 2009. The Bank has paid a total amount of N155 billion to the Deposit Money Banks for disbursement to the farmers. A total repayment of ₦998,380,000 was received in the course of the year leaving a balance of N154 billion (note 5).

16. Surplus payable to Federal Government of Nigeria

	2011 ₦' M	2010 ₦' M
At 1 January	28,352	33,194
Transfer from income and expenditure account	64,122	34,870
Paid during the year	(28,052)	(39,712)
At 31 December	<u>64,422</u>	<u>28,352</u>

17. Other provisions

	At 1 January ₦' Million	Additional Provision ₦' Million	At 31 December ₦' Million
2011:			
Contingency (Note 17a)	31,890	(19,800)	12,090
Internal currency insurance funds (Note 17b)	4,434	2,989	7,423
Agricultural credit fund (Note 17c)	10,603	-	10,603
At 31 December	<u>46,927</u>	<u>(16,811)</u>	<u>30,116</u>
2010			
Contingency	31,890	-	31,890
Internal currency insurance funds	4,434	-	4,434
Agricultural credit fund	-	10,603	10,603
At 31 December	<u>36,324</u>	<u>10,603</u>	<u>46,927</u>

- (a) Contingency provisions represent provisions in respect of probable legal obligations (note 29a).
- (b) The Bank makes provisions for internal currency insurance, based on the premium that would be payable to external insurers had they been engaged. Losses incurred are indemnified against these provisions.
- (c) The Agricultural Credit Guarantee Fund was set aside to provide guarantees to third party lenders on behalf of participating agricultural enterprises. Amounts provided were based on the guarantees issued by the Bank.

18. Capital

	2011 ₦' Million	2010 ₦' Million
Authorised share capital	100,000	100,000
Issued and fully paid up:		
At 31 December	<u>5,000</u>	<u>5,000</u>

Section 4(1) of the Central Bank of Nigeria Act No 7 2007 gave approval to the increase in authorized capital of the Bank from N5 billion to N100 billion. S4 (2) provides that all the capital of the Bank shall be subscribed and held only by the Federal Government of Nigeria.

19. General reserve fund

At 1 January	83,477	71,854
Transfer from appropriation account	16,031	11,623
Transfer to Federal Government of Nigeria*	(4,933)	-

At 31 December	<u>94,575</u>	<u>83,477</u>
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*This represents additional transfer to the Federal Government of Nigeria made necessary based on the now adopted relevant provision of the Fiscal Responsibility Act 2007 which took effect in 2008 but implemented by the Bank during the year.

20. Fixed assets revaluation reserve

At 1 January	57,069	63,143
Realised on disposal/verification exercise carried out during the year	4,506	(6,074)
At 31 December	<u>61,575</u>	<u>57,069</u>

21. Foreign currency revaluation reserve

At 1 January	14,070	379,982
Net gain/(loss) on revaluation during the year	121,096	(11,200)
	135,166	368,782
Realized gain transferred to income and expenditure account	<u>(41,022)</u>	<u>(354,712)</u>
At 31 December	<u>94,144</u>	<u>14,070</u>

The foreign currency revaluation reserve is used to record exchange movements on long-term monetary assets of the Bank. Unrealised losses or gains on revaluation of these assets are recorded in the account and upon realisation of the assets, the corresponding gain or loss is transferred to the income and expenditure account.

22. Reserve on fund managers' investments

	2011	2010
At 1 January	32,974	64,167
Movement during the year	(8,090)	(31,193)
At 31 December	<u>24,884</u>	<u>32,974</u>

23. Interest income

Analysis by type		
Time deposits and money employed	23,567	31,520
Federal Government Securities	32,107	33,995
Asset Management Corporation of Nigeria (AMCON)	73,844	-
Loans and advances	66,900	41,227
	<u>196,418</u>	<u>106,742</u>
<i>Analysis by geographical location:</i>		
Domestic	172,851	75,222
External	23,567	31,520
	<u>196,418</u>	<u>106,742</u>

24. Interest expense

Central Bank of Nigeria Instruments	50,276	4,593
Interest on Treasury Bonds	2,446	2,608
Deposit Balances	4,029	3,660
Interest subsidy on Commercial Agricultural Credit Scheme	20,270	23,060
	<u>77,021</u>	<u>33,921</u>

All interest was paid locally

25. Other operating income

Fees	3,067	2,475
Foreign exchange earnings	114,699	80,540
Commissions	63	26
Dividend Income	214	-
Gain on sale of fixed assets	4	12
Realized gain on fund managers' investments	12,748	37,734
Other income	19,976	13,861
	150,771	134,648

26. Provisions

Loans and advances	(15,896)	199,845
Promissory notes issued	3,365	4,030
Investments	-	60
Other assets	5,483	2,465
	(7,048)	206,400

27. Operating costs

Currency issue expenses	47,337	57,932
Staff Costs	66,488	97,785
Administrative expenses	31,529	52,967
Banking Sector Resolution Cost Sinking Fund	50,000	50,000
Donations	102	1,473
Depreciation charge	3,605	4,290
Repairs and maintenance	2,070	8,410
Consultancy fees	5,711	9,814
Bank charges	359	386
Audit fees	200	200
Directors' related expenses	843	307
Centres of excellence	4,752	1,229
Realised loss on fund managers' investments	1,224	-
Intervention activities*	23,865	24,495
	238,085	309,288

*Intervention activities are made up of Trust Fund for collaborative programmes, Nigerian incentive based risk sharing and intervention fund for SME (BOI) and power.

28. Cash generated from operating activities

Reconciliation of surplus for year to cash generated from operating activities:

	2011	2010
Surplus before appropriation	80,153	46,493
Adjustments for:		
Depreciation	3,605	4,290
Profit on disposal of fixed assets	(4)	(12)
Provisions	(23,859)	217,003
Realised loss/(gain) on fund managers	-	(37,734)
Realised gain on foreign exchange currency	(41,022)	(354,712)
Net cash (utilised)/generated from operating activities	18,873	(124,672)

Changes in working capital:

Decrease/(increase) on loans and advances	185,211	(95,520)
Increase/(decrease) in foreign currency evaluation reserve	121,096	(11,200)
Decrease) in fund managers' reserve	(8,090)	(31,193)
Increase)/Decrease in other assets	(123,137)	100,911
Increase/(Decrease) in deposit accounts	1,162,991	(942,426)
Increase in Central Bank of Nigeria instruments	1,428,292	55,078
Increase in notes and coins in circulation	187,912	196,307
Evaluation (loss)/gain on IMF allocation of SDR	16,909	(4,112)
Increase/(Decrease) in other financial liabilities	1,621,002	(270,202)
Cash generated/(utilised) by changes in working capital	4,592,186	(1,002,357)
Cash generated/(utilised) by operating activities	4,611,059	(1,127,029)

Appendix B2 (Cont'd)

29. Contingent liabilities and commitments

(a) Legal proceedings

There were a number of legal proceedings outstanding against the Bank as at 31 December 2011 with contingent liabilities of ₦1,808 billion (2010=₦3,154 billion). The Directors estimate that provision made for the contingent liability will be adequate to meet any liability that may crystallise.

The Directors are also of the opinion that all known liabilities and commitments which are relevant in the assessment of the state of affairs of the Bank have been taken into consideration in the preparation of these financial statements.

(b) Capital and other commitments

	2011 N' Million	2010 N' Million
Intervention funds	645,837	1,054,700
FX forwards and currency swaps	151,369	-
Capital Commitments	96,979	95,053
	894,185	1,149,753

Intervention funds balance of ₦646 billion (2010=₦1,055 billion) represents commitments made in respect of Commercial Agricultural Credit Guarantee Scheme, Small and Medium Enterprises Credit Guarantee Scheme and the Banking Sector Resolution Cost Sinking Fund.

The Bank had commitments to deliver foreign currencies to counter parties at an agreed future date and at an agreed rate. The contractual amounts of these off balance sheet financial instruments have been shown.

(c) Guarantees

	2011 N' Million	2010 N' Million
Deposit Money Banks	125,412	897,680
Discount Houses	149,803	42,160
Pension Fund Administrators	34,985	110,170
	310,200	1,050,010

The Bank during the year guaranteed local interbank balances and balances with other financial institutions. Guarantees represent total exposure to the Nigerian Financial Sector for foreign credit lines extended to deposit money banks.

30. Related party information

The Bank entered into banking transactions with related parties in the normal course of business. These transactions include the sale and purchase of currencies, services, loans, deposits, and foreign currency transactions.

31. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Appendix B3

REPORT OF THE INDEPENDENT JOINT AUDITORS TO THE BOARD OF DIRECTORS OF THE CENTRAL BANK OF NIGERIA

Report on the Financial Statements

We have audited the accompanying financial statements of Central Bank of Nigeria ("the Bank") set out on pages 202 to 228, which comprise the balance sheet as at 31 December, 2011, the income statement, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

In accordance with the provisions of the *Central Bank of Nigeria Act*, the Board of Directors are responsible for the preparation of the financial statements which give a fair presentation of the state of affairs of the Bank at the end of the year and its income and expenditure.

The responsibilities include ensuring that:

- i. the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the *Central Bank of Nigeria Act*;
- ii. appropriate and adequate internal controls are established to safeguard its assets and to prevent and detect fraud and other irregularities;
- iii. the Bank prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and
- iv. it is appropriate for the financial statements to be prepared on a going concern basis.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the *Central Bank of Nigeria Act*.

The Directors are of the opinion that the financial statements give a fair presentation of the state of the financial affairs of the Bank and of its income and expenditure and cash flows.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Sanusi Lamido Sanusi, CON
Chairman
24th February 2011

Stephen Oronsaye, CFR
Director
24th February 2011

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Bank on pages 202 to 204 for the year ended 31 December 2011 have been properly prepared in accordance with the accounting policies set out on pages 205 to 210 and comply with the provisions of the *Central Bank of Nigeria Act No. 7 of 2007* and other applicable regulations.

Chartered Accountants
Abuja, Nigeria
28 February 2012

Chartered Accountants
Lagos, Nigeria
28 February 2012