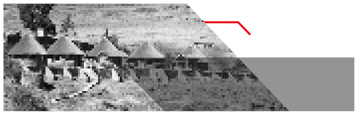
ASO SAVINGS AND LOANS PLC.
Plot 266, FMBN Building, Cadastral Zone AO,
Central Business District, Abuja - Nigeria.
Tel: +234-9-461 1587, Fax: +234-9-461 1589

ASO
SAVINGS & LOANS PLC.
RC No. 283162

ANNUAL REPORT 2014

of the Directors and Audit Committee and
Financial Statements with Independent Auditors' Report

...built around you



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COMPANY HISTORY

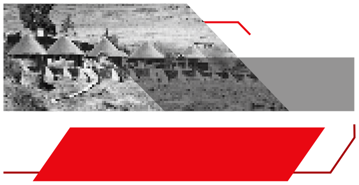
ASO Savings & Loans PLC is a Primary Mortgage Institution (PMI) incorporated in Nigeria as a limited liability company on November 9, 1995.

We formally commenced business on January 2, 1997 and converted to a public limited company (PLC) on September 22, 2005.

We are regulated by the Central Bank of Nigeria under the Mortgage Institution Decree No. 53 of 1989 to carry out the business of mortgage banking in Nigeria.

Between November 2006 and January 2007, we transited from a majority government owned company to a majority privately owned company with government holding about 16% of the company's equity and in the process acquired over 3,000 new shareholders. As at December 2007, ASO had shareholders funds in excess of N4.5bn.

We are listed on the floor of the Nigeria Stock Exchange on April 25, 2008.



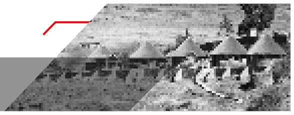
CORPORATE PROFILE

OUR VISION
To be the Mortgage Bank of Choice.

OUR MISSION
To build mutually profitable relationships anchored on a passion for excellence.

Corporate Head Office
Plot 266 FMBN Building,
Cadastral Zone AO,
Central Business District,
Abuja.

Other branches
Please visit our website www.asoplc.com for the list and addresses of our various branches nationwide.



NOTICE OF 17TH ANNUAL GENERAL MEETING

Notice is Hereby Given that the 17th Annual General Meeting of ASO SAVINGS AND LOANS PLC will be held at Tahir Guest Palace, 4 Ibrahim Natsugune Road, Kano on Monday, 11th July, 2022 at 11:00am to transact the following business:

ORDINARY BUSINESS:

1. To receive and consider the Audited Financial Statements for the year ended 31st December, 2014 together with the Reports of the Directors, Auditors and Audit Committee thereon.
2. To re-elect Directors in the place of those retiring.
3. To ratify the appointment of Directors.
4. To ratify the remuneration of Directors.
5. To reappoint Ernst & Young and Aminu Ibrahim & Co as the Joint External Auditors of the Company.
6. To authorize the Directors to fix the remuneration of the Joint External Auditors.
7. To elect Shareholders Representatives of the Audit Committee.

Dated this 17th Day of June, 2022

Note:

Proxy:

A member entitled to attend and vote at this meeting is entitled to appoint a Proxy from the listed Proxies to attend and vote in his/her stead in accordance with the Corporate Affairs Commission (CAC) guidelines on holding General Meetings using proxies. A proxy form is enclosed. To be valid, the proxy form must be duly completed and deposited at the Office of the Registrar, First Registrars & Investor Services Ltd, Plot 2 Abebe Village road, Iganmu, Lagos not later than 48 hours before the time of the meeting and can also be sent via the Registrar's email address: info@firstregistrarsnigeria.com. This will enable the Bank at its expense, to make arrangements for the stamping of the proxy forms not later than 48 hours prior to the date of the meeting.

By Order of the Board

Akachukwu Okechukwu
Ag. Company Secretary/Legal Adviser
Plot 266 FMBN Building, Cadastral Zone AO, Central Business District, Abuja.

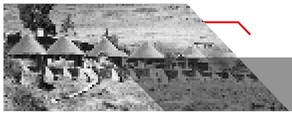
NOTES:

1. Attendance and Voting by Proxy:
In view of the COVID-19 pandemic and in the interest of public safety, approval of the CAC has been obtained for the Annual General Meeting to be held by Proxy. Accordingly, physical attendance to the Annual General Meeting (AGM) shall, in line with the Corporate Affairs Commission (CAC) Guideline on holding Annual General Meetings by Public Companies using Proxies, be restricted to only the underlisted proposed Proxies. All other Shareholders would be required to attend the Meeting online through the platform indicated in this Notice and to vote at the Meeting through a Proxy.

A Proxy may be selected from any of the following individuals:

a. Alhaji Ali Magashi;
b. Mrs. Risikatu Ladi Ahmed;
c. Mr. Akachukwu Okechukwu;
d. Mr. Ibrahim Oruma;
e. Mr. El-Amin Bello;
f. Dr. Farouk Umar;
g. Mrs. Bisi Bakare;
h. Mr. Alex Adio.

2. Online Accreditation/Attendance of Shareholders:
Provision has been made for online attendance of Shareholders. A message containing a unique link to be utilized in attending the meeting will, not less than 48 hours prior to the meeting, be sent through SMS and E-mail addresses to all Shareholders who have supplied valid phone numbers and E-mail Shareholders in their records with



NOTICE OF 16TH ANNUAL GENERAL MEETING - Continued

Shareholders who have supplied valid phone numbers and E-mail Shareholders in their records with the Registrars.

3. **Electronic version of the Annual Reports:**
   Electronic versions of the Annual Reports are available and can be downloaded at www.asoplc.com. Shareholders who have provided valid email addresses to the Registrar will receive the electronic version of the Annual Report via email.

4. **Closure of Register**
   The register of Members will be closed on Friday, 1st July, 2022

5. **Statutory Audit Committee:**
   In line with S. 404 (6) of the Companies and Allied Matters Act (CAMA) 2020, any Shareholder may nominate a Shareholder for appointment to the Statutory Audit Committee. Such nomination should be in writing and should reach the Company Secretary at least 21 (Twenty One) days before the Annual General Meeting.

   All members of the Statutory Audit Committee should be financially literate and at least one of them must be a member of a professional body in Nigeria established by an Act of the National Assembly and also be knowledgeable in Internal Control processes.

   Thus, nominations to the Statutory Audit Committee should be accompanied by Curricula Vitae (CV) of all the nominees.

6. **Re-election of Directors:**
   In accordance with the provisions of the Bank's Articles of Association, the Directors to retire by rotation at the Meeting are as follows: Alhaji Ali Magashi and Mrs. Risikatu Ladi Ahmed. The retiring Directors, being eligible, have offered themselves for re-election. Their respective profiles are available in the on the Bank's website.

7. **Ratification of the appointment of Directors:**
   Since the last Annual General Meeting of the Bank, the following persons have been appointed as Directors by the Board of Directors and will be presented at the Meeting for Shareholders ratification of their appointments:
   a. Mrs. Risikatu Ladi Ahmed – Managing Director/Chief Executive
   b. Mr. Abdul Kofarsauri – Non-Executive;
   c. Mr. Henry Sementitari - Non-Executive;
   d. Amb. Umar Iliya Damagum- Non-Executive;
   e. Mr. Daniel Dayo Kunle - Non-Executive;
   f. Mr. Isiyaku Ismaila- Non-Executive;
   g. Mr. Richard Femi Bello – Executive;
   h. Mr. Enesi Makoju – Executive.

   The profiles of the aforementioned Board appointees are contained in the Bank's website.

8. **Questions from Shareholders:**
   Shareholders reserve the right to ask questions prior to, and at the Annual General Meeting. Such questions should be in writing and addressed to the Company Secretary and reach the Company at its Head Office by electronic mail at corporatesecretariat@asoplc.com not later than Wednesday, 6th July, 2022.

CHAIRMAN'S STATEMENT

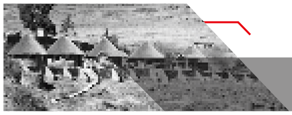
Dear Shareholders, I will start by apologizing for the delayed presentation of our 2014 Financial Year Annual Reports to the Shareholders. This was mainly due to challenges encountered in the preparation and audit of the account as well as securing the approval of the Central Bank of Nigeria (CBN). These challenges had delayed the finalization of the accounts beyond our projection. I assure you that we are working assiduously to ensure that all our outstanding accounts are finalized in due course and presented to the shareholders. We also acknowledge the importance of timely presentation of our accounts and further ensure that necessary systems and processes have been put in place to that end.

It is my privilege and pleasure to present the annual report of our Bank, ASO Savings and Loans Plc, for the 2014 financial year. 2014 was an eventful year marked by significant global and local macroeconomic developments, which had the potential to severely impact our business. Ladies and gentlemen, the resilience of our business model has enabled us to successfully weather these economic headwinds. I would now like to highlight the major events within the global and domestic environment, their impact on our business, in addition to major landmark achievements of our Bank during 2014.

DEVELOPED ECONOMIES DRIVE GLOBAL GROWTH

In 2014, the economies of the US and the UK recorded improved consumer spending and lower unemployment rates in response to monetary easing policies adopted since 2009 following the global economic crises. GDP in these economies is expected to be 2.4% and 2.6% respectively in 2014. This improved economic performance resulted in the US Federal Reserve ending its quantitative easing programme in October 2014 and raised the prospect of the increase in interest rates to normalise the monetary regime as the economy further improves. The Eurozone, however, remained a major concern in 2014 due to stagnant quarter-on-quarter growth with an estimated GDP growth of 0.8%. China's economy grew at its slowest pace in 24 years in 2014, as real GDP expanded by 7.4% against a target of 7.5%, due to lower property investments, dwindling credit growth and weakening industrial production. With a view to drive growth, the People's Bank of China (the Apex Bank in China) eased monetary policy for the first time in two years by cutting rates, but this is yet to yield the expected results

The sharp drop in the global price of crude oil was also a major economic factor in 2014. The price of the Brent crude dropped by over 40% in 2014, largely due to market share defence by OPEC members, increased shale



CHAIRMAN'S STATEMENT - Continued

production in the US and reduced global demand stemming from economic slow-down in China and the Eurozone. The impact of this fall in oil prices is expected to be mixed. While it negatively affects the fiscal position of oil exporting countries, it is expected to support economic growth in oil-importing countries as their energy costs decline.

AFRICA ECONOMIES REVIEW

In 2014, Africa witnessed its worst outbreak of the Ebola Virus Disease, with over twenty thousand people infected and nearly eight thousand mortalities recorded as at 31 December 2014 (according to the US Center for Disease Control). Liberia, Sierra Leone and Guinea were the hardest hit countries. It is estimated that the cumulative negative impact on these affected economies could be as high as $32.6 billion over 2014 and 2015. Economic slowdown in China and Europe, Africa's largest trade partners resulted in a significant decline in commodity prices including crude oil, thereby affecting the revenues of commodity-exporting African countries and exposing their currencies to the negative impact of the strengthening US dollar, following the end of Federal Reserve's bond buying stimulus programme. By the end of the year, the Ghanaian Cedi had depreciated by 36.81%, the Nigerian Naira by 14.45% and the Kenyan Shilling by 5.02%. In response to local currency depreciation, the Central Banks of many African countries adopted monetary tightening measures during the year. Despite these challenges, the continent remained on the growth path. The International Monetary Fund estimates 2014 Sub-Saharan Africa's GDP growth at 4.8%, outpacing that of most emerging markets and developed economies. This further supports continued inflow of foreign capital into the continent, albeit at a slower pace. In Nigeria, the GDP rebasing exercise revealed an economic size of $510 billion, factoring in economic activities such as e-commerce and entertainment industries previously not captured. This resulted in Nigeria overtaking South Africa to be the largest economy in Africa. Real GDP growth rate for 2014 was 6.2% up from 5.5% in 2013. However, significant challenges still confront the Nigerian economy, including lower FX earnings due to falling global oil prices, the inflationary effects of Naira devaluation, a volatile foreign exchange market as well as the increased risk due to the insecurity in the North-East part of the country. These challenges were further exacerbated by the build-up to the 2015 general elections.

ASO FINANCIAL PERFORMANCE

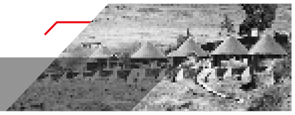
The macroeconomic and regulatory volatilities across our markets affected the performance of your Bank, recorded a loss of N1.54 billion in the year as against the profit of N207million recorded in the previous year, 2013. The headline performance reflects the simultaneous decline in interest and other income, which declined 45% and 35% respectively.

BOARD APPOINTMENTS

The Board composition had remained stable within the 2014 Financial Year with no resignations or appointments made within the year.

OUTLOOK

The key factors which will drive the global and regional economic outlook in 2015 are sustainability of growth and consumption in advanced economies, the effectiveness of revised fiscal and monetary policies in emerging markets and global commodity prices. As growth gains momentum in advanced economies, especially in the US and the UK, commodity prices are expected to stabilise due to an increase in global demand. However, slower growth in



CHAIRMAN'S STATEMENT - Continued

China (6.8% projected in the 2015 – 2019 period, the slowest rate in recent times) and the Eurozone (forecast of 1.2% in 2015), is expected to continue into 2015 and could temper growth in commodity prices in 2015. Given this scenario, commodity prices, including crude oil, are expected to marginally improve in 2015, barring any major supply shocks. Sub-Saharan Africa's growth is projected by IMF to remain robust at 4.9% in 2015. This growth is expected to be more inclusive as the contribution of the service sector continues to increase. The effect of lower commodity-based income and currency vulnerability will result in governments increasingly enacting reforms to diversify their economies and reduce the dependence on commodities. Growth in African economies affected by the Ebola Virus, that is, Liberia, Sierra Leone and Guinea, is expected to be low as these economies gradually recover. Finally, it is expected that regional collaboration against insurgencies such as in Kenya and Nigeria will be largely effective in ensuring the situation does not adversely affect the economic outlook of these countries

In response to this economic outlook, we have taken steps to ensure the diversification of our revenue base in ASO while leveraging inherent opportunities in the outlook for continuous revenue growth. We also continue to strengthen our risk management capabilities to ensure effective mitigation of existing and emerging risk factors in our operations.

CONCLUSION

The Bank has a strong workforce spanning operations across all departments of the Bank. Their dedication and commitment to the Bank's corporate vision has allowed us to make numerous achievements. I want to thank each and every one of our employees for their ongoing dedication. Together, the Board and management of your esteemed Bank will surpass its corporate targets for this year and beyond.

Thank you

Alhaji Ali M. Magashi
Chairman, Board of Directors

CHIEF EXECUTIVE OFFICER'S STATEMENT 2014 Continued

1. INTRODUCTION

Although the year under review has been of a challenging operating environment, both from global economic and local macro-economic factors, it no doubt presents some positive opportunities. The resources within ASO have been one that has the innovative idea to navigate through the challenges of the last twelve months to ensure the Bank maintains its excellent services and remain the number one Mortgage Bank of Choice in Sub-Saharan Africa

2. CHARTING NEW COURSE

The liquidity challenge in the entire financial industry is no longer a breaking news and every institution that desire to survive must find a way to do so. The desire of ASO is not just to survive but to thrive and keep delivering optimal value to out esteemed customers and stakeholders. We will keep doing those businesses that gives us leverage over the negative macro-economic indices and devise innovative ways to expand them. In the coming months, we will commence delivering housing units in our ASO Garden Estate, Karsana to subscribers. This will ensure creation of fresh pool of Mortgages that will boost the quality of our risk asset portfolio.

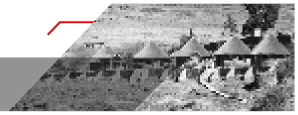
3. NEW VENTURES

The effort to expand nationwide which started in 2009 and has continued till now is expected to

deliver immense value to our shareholders. It is a positive development that ASO is at the forefront of the acquisition of Union Homes Savings and Loans Plc. This will expand our balance sheet and increase out nationwide reach to capture new market segments. In addition to this, ASO will be breaking ground on numerous fronts including but not limited to new real estate finance ventures, partnerships with national and international asset management companies that can create leverage for liquidity purpose as well as profitable partnership with various government agencies, already in the pipeline.

4. RESOURCE MANAGEMENT

Over the years as the business of the Bank expands and more resources are needed to ensure we meet increasing demands, we will be hiring competent hands across board, especially at experienced levels. We will also ensure our resources at entry and other lower levels are adequate over a medium to long term approach to ensure business continuity and succession planning. Other than our human resource, our physical assets will also be managed to optimally utilize these assets for our operations nationwide. A fall out of this is our plan to establish an



CHIEF EXECUTIVE OFFICER'S STATEMENT 2014 Continued

efficient customer call center, cash centers and expansion of our electronic platforms.

5. MORTGAGE INDUSTRY CHAMPION

Our Commitment to excellence is not just within ASO. We have decided to champion the soft infrastructure required in Nigeria for Mortgage lending to be more acceptable and also become accessible to anyone that desires it. Investing in our nationwide coverage means increasing our stake in the industry and thus the need to be at the forefront of attracting attention to the sector. In this regard, ASO is a major driver of legislations that will encourage investment in the Mortgage sector by working with regulators and other players in the industry who sees the need to drive Mortgage business in partnership with the legislative arm of our government.

6. THE YEARS AHEAD

ASO is proactively looking into the years ahead from various angles that will ensure our preparedness to continue to convert challenges to business opportunities. We will consolidate on our business focus of reaching more customers by successfully completing the acquisition and integration of Union Homes to create the desired emerging entity. Various macro-economic indices have predicted similar glooming economic future for Africa generally, but ASO is poised to take advantage of whatever the situation is to keep delivering value to its shareholders.

7. CONCLUSION

We will rely on a continuous and indispensable support of our shareholders if we must maintain our status as the Mortgage Bank of choice in Nigeria. The future holds myriads of opportunities and together, we can leverage on these opportunities to build and sustain an Institution that will ever remain a reference point in the Industry.

Thank you,

Risikatu Ladi Ahmed
Managing Director/Chief Executive Officer

Mr. Olatunde Ayeni
Chairman

Dr. Musa A. Musa
Non-Executive Director

Mr. Joshua Maikori
Non-Executive Director

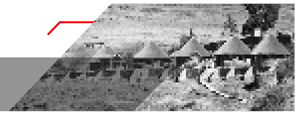
Mr. Olutoyin Okeowo
Non-Executive/
Independent Director

Mr. Ali Magashi
Non-Executive/
Independent Director

Mr. Hassan Musa Usman
Managing Director/Chief
Executive Officer

Mohammed I. Shehu
Executive Director,
Operations & Technology

Mr. Adekunle Adedigba
Executive Director, Finance



REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors have pleasure in presenting to the members of Aso Savings & Loans Plc., their report and the audited financial statements for the year ended 31 December 2014.

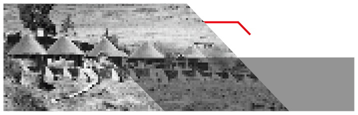
CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

ASO Savings & Loans Plc ("the Mortgage Bank") was incorporated on 9 November 1995 as a Private Limited Liability Company in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. It was licensed to operate as a Mortgage Institution in December 1996 and commenced operations in January 1997. It converted to a Public Limited Liability Company on 22 September 2005. It is wholly owned by Nigerian corporate and individual citizens.

The Mortgage Bank engages in the business of mortgage banking in all its branches. The mortgage bank provides the following products and services:

- Social Mortgage (through the National Housing Fund Scheme)
- ASO Commercial Mortgage Facility
- ASO Performance Bond/Advance Payment Guarantee
- Fixed Deposit Account
- Regular Savings Account
- Flourish Account (Children's Account)
- ASO Corporate Account
- My House Account
- ASO Plus Account (Savings Account)
- ASO Gap Account
- ASO Excel Account (Hybrid of Current & Savings account)
- Commercial Real Estate Advisory

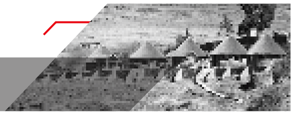


REPORT OF THE DIRECTORS - Continued

OPERATING RESULTS

Highlights of the Mortgage Bank's operating results for the year are as follows:

	2014	2013
	₦'000	₦'000
Gross Earnings	8,421,943	10,299,129
Loss before income tax	(1,505,917)	608,764
Income tax expense	(38,004)	(401,255)
Loss after tax	(1,543,921)	207,509
Appropriation:		
Transfer to retained earnings	(1,543,921)	207,509
Total comprehensive loss for the year	(1,543,921)	207,509
Total non- performing loans as % of gross loans	**3%**	**22%**
Cost to income	**118%**	**95%**
Return on assets	**(1.55%)**	**0.20%**
Return on shareholders' funds	**(40.77%)**	**3.90%**
Earnings per share – basic and diluted (in kobo)	**(10.47)**	**1.41**



REPORT OF THE DIRECTORS - Continued

DIRECTORS WHO SERVED DURING THE YEAR

The following Directors served during the year under review:

Name	Designation
Mr. Olatunde Ayeni	Chairman
Mr. Hassan Usman	Managing Director/CEO
Dr. Musa Ahmed Musa	Non-Executive Director
Mr. Joshua Maikori	Non-Executive Director
Mr. Olutoyin Okeowo	Non-Executive Director
Mr. Ali Magashi	Non-Executive Director
Mr. Mohammed I. Shehu	Executive Director (Operations & Technology)
Mr. Adekunle Adedigba	Executive Director (Finance) & Deputy Managing Director

GOING CONCERN

The Mortgage Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Mortgage Bank's ability to continue as a going concern.

FREQUENCY OF REPORTING

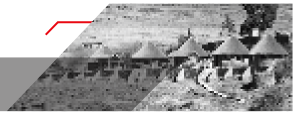
The financial statements are prepared annually to 31st December in accordance with the Central Bank of Nigeria directive (with circular number BSD/DIR/GEN/CIR/VOL.2/ 004) on the uniformity of accounting year-end dates for Other Financial Institutions (OFIs) sub-sector, to which ASO Savings and Loans Plc belongs.

REPORT OF THE DIRECTORS - Continued

DIRECTOR'S INTEREST IN SHARES

Interest of Directors in issued share capital of the Mortgage Bank as recorded in the Register of Members and/or as notified by them for the purpose of section 275 of the Companies and Allied Matters Act, of Nigeria CAP C20 Laws of the Federation of Nigeria 2004 was as follows:

	31 December 2014 Direct	31 December 2014 Indirect	31 December 2013 Direct	31 December 2013 Indirect
Olatunde Ayeni*	3,068,181,817	589,818,181	3,068,181,817	589,818,181
Joshua Audu Maikori	4,283,227	NIL	4,884,620	NIL
Dr. Musa Ahmed Musa**	NIL	1,972,533,790	NIL	1,972,533,790
Olutoyin Okeowo***	NIL	NIL	NIL	NIL
Ali Magashi***	NIL	NIL	NIL	NIL
Hassan Usman	21,266,000	NIL	21,266,000	NIL
Mohammed I. Shehu	NIL	NIL	NIL	NIL
Adekunle Adedigba	NIL	NIL	NIL	NIL



REPORT OF THE DIRECTORS - Continued

*Olatunde Ayeni holds the above indirect shareholding through Globe Energy Resources Ltd.

**The above shareholding is held by Abuja Investments Company Limited and Dr. Musa Ahmed Musa represents the Company on the Board of Aso Savings & Loans Plc.

***Olutoyin Okeowo and Ali Magashi are on the Board as Independent

Directors. Beneficial ownership

The Mortgage Bank is owned by Nigerian citizens and corporate

bodies. Analysis of shareholding

The range analysis of the distribution of the shares of the Mortgage Bank as at 31 December 2014 is as follows:

RANGE	No. of Holders	Holders %	Units	Units %
1 - 1,000	463	5.46	300,852	0.00
1,001 - 5,000	1,194	14.09	4,418,409	0.03
5,001 - 10,000	1,037	12.23	8,782,446	0.06
10,001 - 50,000	2,758	32.54	90,436,185	0.61
50,001 - 100,000	1,227	14.48	105,263,775	0.71
100,001 - 500,000	1,219	14.38	299,994,399	2.04
500,001 - 1,000,000	246	2.90	199,093,844	1.35
1,000,001 - 5,000,000	225	2.65	535,743,526	3.63
5,000,001 - 10,000,000	25	0.29	203,208,988	1.38
10,000,001 - 50,000,000	53	0.63	1,426,846,812	9.68
50,000,001 - 100,000,000	9	0.11	729,671,100	4.95
100,000,001 - 500000000	13	0.15	2,486,611,142	16.87
50,000,0001 - 1000000000	4	0.05	3,214,807,726	21.81
100,0000,001 - 14,741,247,750	3	0.04	5,436,554,598	36.88
	8,476	100	14,741,733,802	100

The following shareholders have shareholdings of 5% and above as at 31 December 2014:

REPORT OF THE DIRECTORS - Continued

Shareholder	31 December 2014 % holding	31 December 2013 % holding
Abuja Investment Company Limited	13.38	13.38
APT Securities & Funds Limited	14.59	14.59
Ayeni John Olatunde	20.81	20.81
ESL Securities Limited	10.37	10.37
First Pension Custodian Limited/Assets Management Corporation Of Nigeria	6.52	6.52
Other investors	44.70	44.70
Total	**100.00**	**100.00**

No other Shareholder owns more than 5% of the Issued Share Capital apart from those listed.

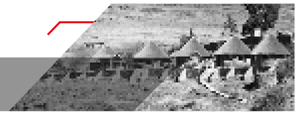
Directors' Interest in Contracts

For the purpose of Section 277 of the Companies and Allied Matters Act, 2004, no Director disclosed to the Board, his/her interest in any company which provided services to the Mortgage in the course of the year.

Donations

The Mortgage Bank during the year donated a total sum of ₦7,640,000 (31 December 2013: ₦22,150,000) to various charitable organizations and higher educational institutions in the country, details of which are shown below. No donation was made to any political organization.

Details of donations during the year ended 31 December 2014	**₦ '000**
Shelter Afrique Confrence	2,462
Nigerians in Diaspora Organization Europe (NIDOE)	2,000
Kitari Golf Tournament, Kano State	1,000
Abuja School Library (Renovation)	698
The Nigerian Women Trust Fund	500
ASO Scholarship Scheme	350
Christian Care for Widows, Widowers, the Aged and Orphans (CCWA)	250
Abuja Leasing Company brand week	180
Atiku Abubakar Book presentation	100
GWEIMEN Centre	100
Total	**7,640**



REPORT OF THE DIRECTORS - Continued

Details Of Donations during the year ended 31 December 2013

	₦'000
Time For Money Exercise at LEA Primary School Area 1	117
GJSS Kabusa (Bore Hole)	870
Back to School (LEA Area 1 & GJSS Kabusa)	1,008
Unity Schools Old Students Association	3,700
Asokoro Doctors Forum	210
Fifth Chukker Breast Cancer Initiative	10,000
Nigerian Tourism Development Corporation	1,000
Nigerians In Diaspora Organization (NIDO)	2,400
Chartered Institute Of Stock brokers	1,000
Christian Care For Widows, Widowers, the Aged and Orphans (CCWA)	100
Earth Day Network	300
Committee On Police Week	500
Niger Delta Polo Tournament	145
Atiku Abubakar Book presentation	100
2013 FCT Sage Awards	200
Teap Football Club	500
Total	**22,150**

Gender distribution of the employees of the Mortgage Bank during the year ended 31 December 2014:

Description	Number	Percentage to Total Staff
Female new hire	38	6.37%
Male new hire	56	9.38%
Total new hire	**94**	**15.75%**
Females as at 31 December 2014	211	35.34%
Males as at 31 December 2014	386	64.66%
Total staff	**587**	**100%**

REPORT OF THE DIRECTORS - Continued

Analysis of top management positions by gender as at 31 December 2014:

Grade	Female	Male	Number
Senior Management (AGM - GM)	4	5	9
Middle Management (DM - SM)	11	23	34
Total	15	28	43

Analysis of executive and non-executive positions by gender as at 31 December 2014:

Grade	Female	Male	Number
Managing Director	NIL	1	1
Deputy Managing Director	NIL	1	1
Executive Director	NIL	1	1
Non-Executive Director	NIL	5	5
Total		8	8

ACQUISITION OF OWN SHARES

The Mortgage Bank did not acquire any of its shares during the year ended 31 December 2014 (31 December 2013: Nil).

PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plant and equipment is provided in Note 20 to the financial statements.

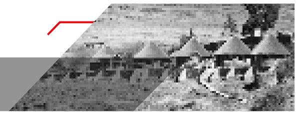
EMPLOYEE INVOLVEMENT

The Mortgage Bank is committed to keeping employees fully informed as far as possible regarding the Bank's performance and progress and seeking their views wherever practicable on matters, which particularly affect them as employees.

Management, professional and technical expertise are the Mortgage Bank's major assets, and investment in developing such skills continues.

EMPLOYMENT OF PHYSICALLY CHALLENGED PERSONS

It is the policy of the Mortgage Bank that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees whether or not physically challenged are given equal opportunities to develop. As at 31 December 2014, one physically challenged person was employed by the Bank.



REPORT OF THE DIRECTORS - Continued

HEALTH, SAFETY OF EMPLOYEES

Health and safety regulations are enforced within the Bank's premises, and employees are aware of the safety regulations.

EVENTS AFTER THE REPORTING DATE

The Mortgage Bank is in the process of finalizing the acquisition of one of the biggest mortgage banks in the industry - Union Homes Savings and Loans Plc with a view to integrating both entities. Memorandum of Understanding ("MOU") and Transaction Implementation Agreement ("TIA") have been executed with the entity's parent company (Union Bank of Nigeria Plc). The Central Bank of Nigeria ("CBN") has also given its 'no objection' to the proposed acquisition. A court ordered Extra Ordinary General Meeting (EGM) was held on 12 November 2014 to approve the scheme of arrangement and reorganisation of share capital for Union Homes Savings and Loans Plc (UHSL).

As a follow up to the court ordered meeting, the scheme document ratified by shareholders of the UHSL has been submitted to the Securities and Exchange Commission (SEC) and SEC has approved that the UHSL completion Board meeting be convened (the completion board meeting formally hands over the entity to ASO).

UHSL has applied to NSE for listing of new shares with the completion board meeting to be held immediately upon NSE approval of the listing of the new shares.

AUDITORS

Messrs. Ernst & Young and Aminu Ibrahim & Co have expressed their willingness to continue in office as auditors of the Bank in accordance with section 357 (2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

A resolution will be proposed at the Annual General Meeting empowering the Directors to fix their remuneration.

BY ORDER OF THE BOARD

Ibrahim Gaga
Company Secretary
FRC/2022/PRO/NBA/0000024054

17 May 2017

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

BACKGROUND:

Corporate Governance is particularly critical in the financial sector as a significant number of frauds, questionable business practices and corporate failures have been attributed to a poor corporate governance structure. Thus with a view to regaining public trust and confidence in the industry as well as improving the overall economic efficiency, an unprecedented call has resonated from regulatory and stakeholder perspective emphasizing the need to evolve a governance system that holds individuals accountable, encourages stakeholder participation and facilitates the flow of information.

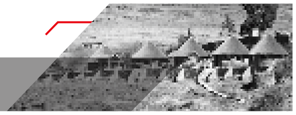
Asides a regulatory requirement, our report affords a response to this rising concern on corporate governance practices. It discloses our structures and practices on key governance issues such as Board oversight and remuneration, Shareholders/Stakeholders relations, Risk Management, Financial Reporting and Audit as well as Ethics and Corporate Social Responsibility.

THE BOARD OF DIRECTORS:

Composition and Structure:

We operate a one-tier Board structure made up of Eight (8) Directors with a healthy mix of Executive and Non-Executive Directors. At the helm of the Board structure is the Board Chairman, a non-Executive Director, responsible for providing overall leadership and direction for the Board and the Company. To this end, the Chairman oversees the Board proceedings and safeguards its alignment with the Company's vision and goals. He further ensures active engagement by the Board members as well as an effective communication between the Board and Shareholders. The day to day business operations of the Company has been delegated to the executive management headed by the Managing Director/CEO, who is distinct from the Chairman and assisted by two Executive Directors, each manning strategic aspects of the Company's activities. The Non-Executive Directors act as a counterbalance to the influence of the Chairman or CEO over board decision making as well as provide a wide range of skills, independent judgment and experience to the Board. Amongst the Non-Executive members of the Board are two Independent Directors who neither hold shares nor business interests in the Company. These Independent Directors further provide objectivity to the Board deliberations.

Our Board is diverse in composition with a balance of expertise, skills, perspectives and experiences drawn from various fields including Law, Accounting, Business Administration, Economics, Management Sciences and Finance. This composition promotes a robust and effective board interaction and effectively checks the possibility of dominance by an individual member. Sufficient care is also taken to ensure that potential Board members are able to commit the necessary time and effort towards discharging their obligations. Appointment to the Board is based on merit and plans are in place for an orderly succession of members.



CORPORATE GOVERNANCE REPORT - Continued

Relationship with Management:

There is a formal and strong delineation between the responsibilities of the Board and the Management. While the Management carries out the Board's directives and manages the daily affairs of the Company, the Board determines and oversees implementation of the Company's overall strategic objectives, risk strategy, corporate governance and corporate values. In this regard, the Board has established a rigorous and strong compliance system that provides it with necessary information to accurately access Management's performance against set objectives. Notwithstanding the delegation of any duty or authority to the Management, the Board has retained the overall responsibility on accountability for the affairs and performance of the Company.

Within the financial year, the Management has consistently availed the Board with quarterly reports, at a periodic minimum, on the position and performance of all strategic units of the Bank. The Board has in response provided advice issued directives and in circumstances deemed deserving, vetoed Management decisions. The Board has also requested for presentations as well as compelled attendance of various members of the Management team to its meetings for the purpose of clarifications on various aspects of the Company's business or transactions. Overall, our Board has seamlessly aligned Management decision making with the interest of the shareholders and other stakeholders while still maintaining a positive relationship anchored on mutual trust and integrity.

Responsibilities:

Our Board is primarily responsible for ensuring good Corporate Governance in the Company. It stewards the Company, sets and oversees implementation of the strategic aim and financial objectives, puts in place adequate internal controls and periodically reports the activities and progress of the company in a transparent manner to the shareholders. Crucial to an effective discharge of the Board duties is the Company Secretary who amongst other duties avails secretarial duties to the Board as well as assists the Board and Management in developing and implementing good Corporate Governance practices and culture. The Board has been saddled with, and indeed has effectively discharged the following responsibilities:

- ✓ Overall strategic direction of the Company;
- ✓ Effective oversight on the general activities of the Management team;
- ✓ Institutionalization of sound Corporate Governance practices;
- ✓ Effective management of the Company's risk management framework;
- ✓ Oversight functions per effectiveness and adequacy of the Company's internal control system;
- ✓ Ensuring the integrity of the financial reports and reporting system;
- ✓ Ensuring legal, regulatory and ethical compliance;
- ✓ Sound Investment and financing decisions, amongst others.

CORPORATE GOVERNANCE REPORT - Continued

Board Meeting Attendances:

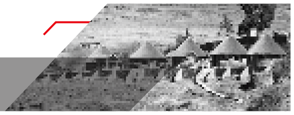
In discharge of its duties, the Board meets regularly with the guidance of an annual calendar for the financial year approved by the Board at the end of the previous financial year. 6 Meetings were held within the year. These meetings recorded high attendances with few unavoidable and well explained absences.

S/N	NAMES OF DIRECTORS	17TH JAN 2014	30TH JAN 2014	17TH APR 2014	17TH JULY 2014	30TH OCT 2014	19TH DEC 2014	TOTAL ATTEN DANCE
1	TUNDE AYENI	Present	Present	Present	Present	Present	Present	6/6
2	JOSHUA MAIKORI	Present	Present	Present	Present	Present	Present	6/6
3	DR. MUSA A. MUSA	Absent	Present	Present	Present	Absent	Present	4/6
4	OLUTOYIN OKEOWO	Present	Present	Present	Present	Present	Present	6/6
5	ALI MAGASHI	Present	Present	Present	Present	Present	Present	6/6
6	HASSAN USMAN	Present	Present	Present	Present	Present	Present	6/6
7	ADEKUNLE ADEDIGBA	Present	Present	Present	Present	Present	Present	6/6
8	SHEHU MOHAMMED	Present	Present	Present	Present	Present	Present	6/6

THE BOARD COMMITTEES:

Overview:

The Company presently has five (5) Board Committees: Statutory Audit Committee, Board Risk Management and Investment Committee, Board Credit Committee, Board Compensation and Welfare Committee and Board General Purpose and Nomination Committee. These Committees are guided by their respective charters which define their mandates, composition and working procedure. Membership is effectively drawn to provide the relevant skills and competences required for each Committee's mandate. Although constituted by Board Members and Shareholders' representatives, attendance of relevant Senior Management staff may be required to assist with deliberations. Independent external professional advice is further sought in deserving circumstances. The Company Secretary acts as secretary to these Committees which are all chaired by either Non-Executive Directors or Independent Directors.



CORPORATE GOVERNANCE REPORT - Continued

Relationship with the Board:

With a view to increasing efficiency and allowing deeper focus in specific areas, the Board Committees assist the Board in discharging its functions. In existence is a clearly defined schedule of matters delineating the Board and its various Committees responsibilities, particularly issues over which the Committees retains ultimate approval authority and those subject to a final approval by the full Board. To avoid undue concentration of power and promote fresh perspectives, the Board occasionally rotates membership and chairmanship of the Committees in a manner that preserves the collective skills, experience and effectiveness of these Committees.

The Board Risk Management and Investment Committee:

This Committee was set up to assist the Board in its determination and oversight of the risk profile, risk management framework and the risk reward strategy of the Company. The Committee is made up of 7 members and is chaired by an Independent Director. Within the year, it has discharged its functions per its charter by:

- ✓ Reviewing periodic relevant reports to ensure the on-going effectiveness of the Company's risk management framework;
- ✓ Overseeing the effective management of all risks faced by the Bank except credit risk;
- ✓ Ensuring that the risk management framework is integrated into the day to day operations of the Bank while providing guidelines and standards for administering the acceptance and on-going management of key risks in the Bank;
- ✓ Reviewing the processes for assessing and improving controls for the management of risk in the Bank;
- ✓ Ensuring the Bank's information security policies, business continuity management and disaster recovery plans are comprehensive and adequate;
- ✓ Monitoring compliance with established policies through periodic review of reports provided by management, statutory auditors and the supervisory authorities;
- ✓ Overseeing the activities of Management with regard to the investment of the Bank's funds.

The Board Risk & Investment Committee Meetings Attendances:

The Committee held 5 meetings within the year. Attendances are shown below:

S/N	NAMES OF COMMITTEE MEMBERS	11 MAR 2014	08 APR 2014	08 JULY 2014	15 OCT 2014	09 DEC 2014	TOTAL ATTENDANCE
1	OLUTOYIN OKEOWO	Present	Present	Present	Present	Present	5/5
2	JOSHUA MAIKORI	Present	Present	Present	Present	Present	5/5
3	DR MUSA A. MUSA	Present	Absent	Present	Present	Absent	3/5
4	ALI MAGASHI	Present	Present	Present	Present	Present	5/5
5	HASSAN USMAN	Present	Present	Present	Present	Present	5/5
6	ADEKUNLE ADEDIGBA	Present	Present	Present	Present	Present	5/5
7	SHEHU MOHAMMED	Present	Present	Absent	Present	Present	4/5

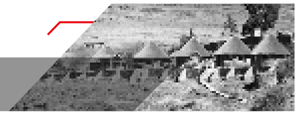
The Statutory Audit Committee:

The Statutory Audit Committee is made up of Six (6) members consisting of an equal mix of Non-Executive Directors and Shareholders' Representatives. The relevant Executive Directors and Management staff are usually in attendance to provide further details or explanations as may be required by the Committee. The Committee is chaired by a Shareholder-nominated member. The Shareholders are also availed with sufficient opportunity at the Company's General Meetings to elect or re-elect such persons as they deem fit to the Committee. The members generally possess the requisite financial expertise for an effective discharge of their duties.

The Committee's mandate is contained in their charter and within the year, the Committee has effectively discharged its responsibilities by:

- ✓ Assessing and ensuring the effectiveness of the internal and external audit process;
- ✓ Reviewing the scope and planning of audit requirements for the year's audit as well as ensuring the effective co-ordination of audit exercises;
- ✓ Reviewing the findings on Management letters in conjunction with the External Auditors and the responses to audit queries from Management;
- ✓ Reviewing and maintaining the effectiveness of the Company's system of accounting and internal control;
- ✓ Assisting in the oversight of the integrity of the Company's financial statements;
- ✓ Making recommendations to the Board with regard to the retention and remuneration of the Company's Joint External Auditors, as well as reviewing and monitoring their independence and objectivity ;
- ✓ Ensuring compliance of the accounting and reporting policies of the Company with the legal requirements and ethical practices;
- ✓ Reviewing the draft half year and annual financial statements prior to submission to the Board;
- ✓ Reviewing and maintaining the integrity and effectiveness of the Company's whistle blowing system and processes.

The Management had ensured that the Committee was kept properly informed. The members were also availed suitable training to keep them up to date on developments in financial reporting and related company law. Although formal meetings are the heart of the Committee's work, the Committee Chairman and to a lesser extent the other members have kept in touch on a continuing basis with the key people involved in the Company's audit and governance.



CORPORATE GOVERNANCE REPORT - Continued

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- ✓ Reviewing the scope and planning of audit requirements for the year's audit as well as ensuring the effective co-ordination of audit exercises;
- ✓ Reviewing the findings on Management letters in conjunction with the External Auditors and the responses to audit queries from Management;
- ✓ Reviewing and maintaining the effectiveness of the Company's system of accounting and internal control;
- ✓ Assisting in the oversight of the integrity of the Company's financial statements;
- ✓ Making recommendations to the Board with regard to the retention and remuneration of the Company's Joint External Auditors, as well as reviewing and monitoring their independence and objectivity ;
- ✓ Ensuring compliance of the accounting and reporting policies of the Company with the legal requirements and ethical practices;
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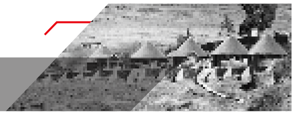
The Management had ensured that the Committee was kept properly informed. The members were also availed suitable training to keep them up to date on developments in financial reporting and related company law. Although formal meetings are the heart of the Committee's work, the Committee Chairman and to a lesser extent the other members have kept in touch on a continuing basis with the key people involved in the Company's audit and governance.

CORPORATE GOVERNANCE REPORT - Continued

The Statutory Audit Committee Meetings Attendance:

5 meetings were held within the year with the following attendances.

S/N	NAMES OF COMMITTEE MEMBERS	16 JAN 2014	16 APR 2014	9TH JULY 2014	16TH OCT 2014	10TH DEC 2014	TOTAL ATTENDANCE
1	IBRAHIM ORUMA	Present	Present	Present	Present	Present	5/5
2	DR FAROUK UMAR	Present	Present	Present	Present	Present	5/5
3	EL-AMIN BELLO	Present	Present	Present	Present	Present	5/5
4	JOSHUA MAIKORI	Present	Present	Present	Present	Present	5/5
5	DR. MUSA A. MUSA	Present	Present	Present	Absent	Absent	3/5
6	OLUTOYIN OKEOWO	Absent	Present	Present	Present	Present	4/5



CORPORATE GOVERNANCE REPORT - Continued

The Board Credit Committee:

The Board Credit Committee comprises of 6 members inclusive of a Chairman appointed from the Non-Executive Directors. It has within the financial year undertaken the following functions amongst others:

- ✓ Supervision of the effective management of credit risk in the Bank;
- ✓ Approval of credit risk management policies, underwriting guidelines and standard proposals on the recommendation of the Management Committee;
- ✓ Approval of credit risk appetite/tolerance, credit risk management strategy and target credit portfolio plan for the Bank;
- ✓ Approval of the new credit products/processes designed within the year;
- ✓ Approval of reassignment of credit approval authority on the recommendation of the Management Committee;
- ✓ Approval of changes to the credit policy guidelines on the recommendation of the Management Committee;
- ✓ Review of credit facility requests and recommendation of same to the Board for approval;
- ✓ Review of credit risk reports submitted for its consideration.

The Board Credit Committee Meetings Attendances:

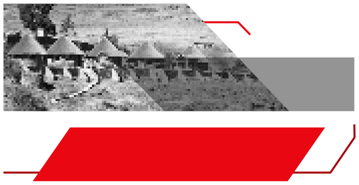
6 meetings were held within the year with the following attendances:

S/N	NAMES OF COMMITTEE MEMBERS	29 JAN 2014	11 MAR 2014	08 APR 2014	09 JULY 2014	16 OCT 2014	10 DEC 2014	
1	JOSHUA MAIKORI	Present	Present	Present	Present	Present	Present	6/6
2	DR. MUSA A. MUSA	Present	Present	Absent	Present	Absent	Absent	3/6
3	OLUTOYIN OKEOWO	Present	Present	Present	Present	Present	Present	6/6
4	ALI MAGASHI	Present	Present	Present	Present	Present	Present	6/6
5	HASSAN USMAN	Present	Present	Present	Present	Present	Present	6/6
6	ADEKUNLE ADEDIGBA	Present	Present	Present	Present	Present	Present	6/6

Board Compensation/Welfare Committee:

This 4 man Committee chaired by a Non-Executive Director was basically set up to advise the Board on the Company's compensation policies as well as matters pertaining to Corporate Governance. Within the year, it had:

- ✓ Considered and approved a review of the Company's compensation structure to maximize its effectiveness while ensuring competitiveness,
- ✓ Reviewed and approved the Management succession plan policy;
- ✓ Diligently executed its mandate per other matters assigned.



CORPORATE GOVERNANCE REPORT - Continued

Board Compensation / Welfare Committee Meetings Attendances:

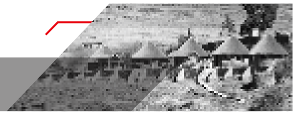
4 meetings were held within the year with the following attendances shown below:

S/N	NAMES OF COMMITTEE MEMBERS	16 APR 2014	8TH JULY 2014	15TH OCT 2014	9TH DEC 2014	TOTAL ATTENDANCE
1	DR. MUSA A. MUSA	Present	Present	Present	Absent	3/4
2	ALI MAGASHI	Present	Present	Present	Present	4/4
3	HASSAN USMAN	Present	Present	Present	Present	4/4
4	SHEHU MOHAMMED	Present	Present	Present	Present	4/4

Board General Purpose/ Nomination Committee:

The Board General Purpose/Nomination Committee is made up of 5 members and is chaired by an Independent Director. Its activities have been guided by its terms of reference as follows:

- ✓ Continuous development, review and assessment of the system of Corporate Governance in the Company as well as making appropriate recommendations to the Board in this regard;
- ✓ Supervision, review and evaluation of projects undertaken by the Company;
- ✓ Consideration and approval of the Bank's capital expenditure plan and making appropriate recommendations to the Board in this regard;
- ✓ Oversight function on recruitment of senior management staff within Assistant General Manager to General Manager Grade;
- ✓ Advisory role to the Board on optimal Board size and structure, proposals and nominations for Board appointment, as well as screening of candidates recommended or head hunted for appointment to the Board;
- ✓ Ensuring that the principle of competitiveness, transparency, fairness and openness is adhered to in the Bank's procurement process above Management Committee approval limits as well as monthly review of procurement reports;
- ✓ Ensuring that the Bank complies with all laws and regulations in respect of Directors or Director-related party transactions;
- ✓ Recommending the approval of all employment contracts with Executive Directors;
- ✓ Reviewing and recommending on succession plan for senior Management staff and any proposed amendments for approval by the Board;
- ✓ Monitoring and ensuring compliance with the opening of new ordinary, current or deposit accounts, banking facilities, the persons to act as the authorised signatories and the authority limits of all bank accounts;
- ✓ Performing any other duties or responsibilities expressly delegated to the Committee by the Board from time to time;
- ✓ Such general operations of ASO that are not covered by other Board Committees.



CORPORATE GOVERNANCE REPORT - Continued

Board Nomination / General Purpose Committee Meeting Attendances:

6 meetings were held within the year with the following attendances shown below:

S/N	NAMES OF COMMITTEE MEMBERS	29 JAN 2014	08 APR 2014	08 JULY 2014	18 AUGUST 2014	15 OCT 2014	9TH DEC 2014	TOTAL ATTENDANCE
1	OLUTOYIN OKEOWO	Present	Present	Present	Present	Present	Present	6/6
2	JOSHUA MAIKORI	Present	Present	Present	Present	Present	Present	6/6
3	DR MUSA A. MUSA	Present	Absent	Present	Present	Present	Absent	4/6
4	HASSAN USMAN	Absent	Absent	Present	Absent	Present	Present	3/6
5	ADEKUNLE ADEDIGBA	Present	Present	Present	Present	Present	Present	6/6

BOARD REMUNERATION, EVALUATION AND TRAINING:

Remuneration:

Our compensation system is designed as a key component of the governance and incentive structure through which the Company promotes good performance and reinforces the Bank's operating and risk culture. Indeed, great care has been taken in ensuring that our remuneration level is sufficient to attract, retain and motivate individuals of a suitable calibre without paying more than is necessary for this purpose.

The Non-Executive Directors are remunerated by way of sitting allowances and quarterly allowances, as well as reimbursable expenses on transportation and accommodation when necessary. This remuneration structure and the sums payable were designed by the Board Compensation & Welfare Committee, recommended by the Board of Directors and approved by the Shareholders at the Company's General Meeting. The Managing Director and other Executive Directors are compensated by way of salaries and incentives in line with the employees' remuneration package similarly approved by the Board upon recommendation of its Compensation & Welfare Committee and after consideration of an independent survey report on an industry pay structure. The remuneration package of the Managing and Executive Directors includes a variable performance related element tied to their individual performances as well as the overall performance of the Company.

The details of Directors' remuneration are always disclosed in the Annual Report and approval of the Shareholders is always sought and obtained before any review of same. The procedure for fixing the remuneration packages of Directors has also been designed in such a way that no Director is involved in deciding his or her own remuneration.

CORPORATE GOVERNANCE REPORT - Continued

Performance Evaluation:

To ensure optimum Board performance, an assessment based on set key criteria is periodically undertaken for the Board and individual members. Enlistment of external facilitators for this purpose has contributed to the objectivity of the process. The Board further reviews the effectiveness of its Committees, determines areas of improvement in composition, mandate or procedures and ensures such changes are effected.

Orientation and Training:

In order to assist the Board acquire, maintain and deepen their knowledge and skills for an effective discharge of their functions, the Board members are consistently exposed to tailored development programmes on relevant issues. To this end, the Directors have within the year participated in training programmes on Corporate Governance, Value Creation for Directors and Owners and Principles of the International Financial Reporting Standard (IFRS). Sufficient time, budget and resources have similarly been dedicated for this purpose. The Board is also afforded access, at the Company's expense, to independent professional advice to assist in the effective discharge of its functions.

Asides the formal organised training programmes, the Company Secretary has within the year kept the Board abreast on legislative and regulatory developments affecting the industry vide periodic reports in that aspect. A comprehensive assessment report on the extent of the Company's compliance with the relevant codes on Corporate Governance was also presented by the Company Secretary to the Board. This had further enlightened the Board on the regulatory requirements on sound Corporate Governance as well as prompted positive changes in the Company's governance structure and practices.

Securities transactions by the Company's Directors:
The Company has adopted a Code of Conduct regarding Securities transaction by its Directors and has further confirmed that all of its Directors are in compliance with the required standard set out in the listing rules and other relevant statutory/regulatory requirements.

THE COMPANY'S RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS:

Communications:

To facilitate a strong Corporate Governance system, we understand the need to consistently minimise the information asymmetry between our Board and Management on the one hand and our various stakeholders on the other hand. In view of this, we have developed a robust system of communication that facilitates an effective dissemination of information regarding the operations and management of the Company. Our annual reports and accounts avail a primary medium of communication to our shareholders and other stakeholders. Our communication stage has further extended beyond the more conventional print and electronic media to the social media platform where we have gained significant reach and followership. We have also continuously improved our responsiveness to enquiries and have ensured accessibility, timeliness and accuracy in our information dissemination.

CORPORATE GOVERNANCE REPORT - Continued

Relationship with Shareholders:

Our Company Secretariat maintains an investor relations desk for an effective resolution of shareholders enquiries and issues. The Company has also retained the services of a leading Corporate Registrar, First Registrars Nigeria Limited, to ensure a seamless Shareholders management process. The Annual General Meetings (AGM) of the Company has proved a veritable platform for communicating with shareholders and encouraging their participation. We have also encouraged greater shareholder attendance and participation by scheduling the meetings at easily accessible and centrally located venues. Notification of the agenda and proposed resolutions are further made in a timely and sufficient manner as to enable shareholders make full informed decisions. At the meetings, every shareholder regardless of the size of the holding is entitled to seek clarification, raise concern, air view as well as vote on any issue affecting the Company. Effective dialogue is similarly maintained with the institutional shareholders and shareholders associations. Overall, the shareholders have been fairly treated, given equal access to information and availed full voting and participatory rights.

Relationship with other Stakeholders:

Our Company recognises and respects the rights of identifiable group of individuals or organizations with vested interest in the Company such as employees, customers, suppliers, general public and the Government. In dealing with these stakeholders, we have consistently acted ethically and responsibly and have always strived to strike a balance between economic and social goals. To us, acting ethically and responsibly goes beyond mere compliance with legal obligations. It involves acting with honesty, integrity and in a manner that is consistent with the reasonable expectations of our investors and the broader community. To this end, we have upheld fair employment practices and created a safe and non-discriminatory workplace. We have dealt honestly and fairly with suppliers and customers, rendered honest returns to the Government, acted responsibly towards the environment and dealt only with Partners who demonstrate similar ethical and responsible business practices.

RISK MANAGEMENT:

Overview

Risk is inherent in ASO's business and influences every aspect of decisions taken within the Bank. A thorough understanding of the risks the Bank faces and managing them appropriately would enhance the Bank's ability to make better decisions, deliver on objectives, and improve performance. The bank's stakeholders make investments in the Bank with the expectation of various objectives including earning good returns, capital appreciation and long-term investment opportunities. In order to satisfactorily manage stakeholder expectations, the Bank must understand its risks, dimension them and manage them effectively. Risks associated with the Bank's activities can be stratified into credit risk, liquidity risk, operational risk, construction risk, reputational risk and market risk. Some identified risks cut across one or more of these risk categories.

ASO therefore recognizes and appreciates the role of effective risk-management practices as fundamental to its business activities and growth prospects as well as the need for an integrated, enterprise-wide approach to manage these risks to an optimal level. The overall tone of risk management in ASO is set by the Bank's Board of Directors in a manner that aims to be value-adding to shareholders as well as keeping the reputation of the Bank intact. The objectives of the Bank's risk management function include ensuring that risk-taking activities are consistent with the Bank's risk appetite, reducing volatility of the Bank's earnings, managing unexpected losses, maximizing opportunities and earnings potential.

A risk management framework continues to thrive within ASO to enable the Bank make informed decisions with respect to exploiting opportunities and mitigating possible threats and vulnerabilities. The framework which is supported by an experienced risk management team is aligned with recent developments in the market, regulatory guidelines as well as the Basel II and III requirements.

Risk Management Appetite and Culture

Risk appetite is an articulation and allocation of the risk capacity or substantial amount of risk the Bank is willing to accept in meeting its strategic objectives. ASO's risk appetite is expressed in terms of the level of variability of return it is ready to accept to achieve its desired level of result, bearing in mind the relationship between risk and return.

Risk culture is a representation and unified understanding of an organisation and its business purpose. It is typified by the system of values and behaviours present in an organization that shapes risk decisions of management and employees.

The Bank maintains a risk management philosophy that embraces a cautious but calculated and responsible approach towards taking risks. This is done by constantly evaluating the risks and rewards inherent in business transactions and targeting viable trade-offs. The Bank only takes on risk within its risk appetite and the Bank's board and management remain closely involved with risk initiatives above specified thresholds, with a focus on improving the Bank's capital.

The Bank's risk culture empowers staff at all levels in understanding and managing risks. The risk culture characterizes how the Bank considers its business objectives and enables risk managers to perform their duties professionally and independently without interference. This ensures that:

- The Bank's management makes informed decisions by identifying and assessing the risks involved in our business;
- Risk management is a shared responsibility and risk managers strive to achieve best practice in enterprise risk management;

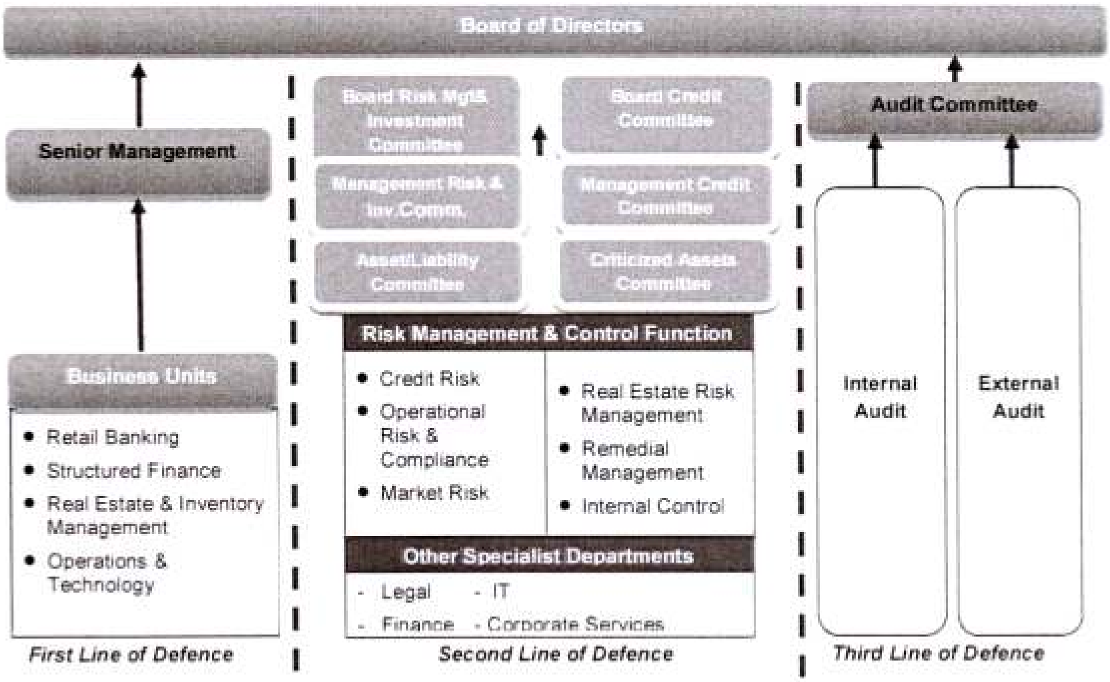
- The Bank does not indulge in products and businesses where associated risks cannot be assessed or managed.

Enterprise Risk Management in ASO

The Board of Directors maintains overall responsibility for the establishment and oversight of the Bank's risk management policies via its specialized risk committees. These committees are responsible for monitoring risk policies, reviewing the Bank's activities and transactions in their specified areas and report regularly to the Board of Directors on their activities. At the board level, these include the Board Risk Management and Investment Committee and the Board Credit Committee. At management level, these include the Management Risk and Investment Committee, the Asset and Liability Committee, the Management Credit Committee and the Criticized Assets Committee.

The ownership for risk management thus resides with the Board of Directors who devolve their expectations down to front line managers and staff via board and management committees, senior management. The risk management functions within the Enterprise Risk Management (ERM) Group also act as a principal conduit for the transfer of risk management information both ways. The Bank's risk management governance structure is depicted in the ensuing diagram:

CORPORATE GOVERNANCE REPORT - Continued



The risk governance structure comprises of three distinct lines of defense with board oversight delineated in the governance structure clearly cutting across all lines. These lines include:

1. **Risk Management and Ownership** – This group includes *Senior Management* who take responsibility for risks generated within their processes and *market-facing functions* who take responsibility for risks generated by their activities and transactions. They have primary responsibilities for risk management.

2. **Risk Oversight** – This group undertakes continuous risk assessment over the Bank's activities and processes, providing an independent monitoring and advisory function to ensure any key risks that have not been addressed by the first line of defense, are managed.

CORPORATE GOVERNANCE REPORT - Continued

3. **Assurance Functions** – This group is responsible for providing an independent assurance of the Bank's activities and transactions and provides an independent assurance function to the Board of Directors through the Board Audit Committee on the adequacy, appropriateness and effectiveness of the Bank's overall risk management framework, policy and risk plan implementation.

Dedicated functions within the Enterprise Risk Management function as highlighted above are tasked with implementing the Bank's risk management and internal control policies at a strategic and tactical level using an integrated approach to risk management. Risk assessments are integrated with business planning and development at the strategic level and process and transaction reviews at the tactical level. This is to ensure that the myriad of risks faced by the Bank are approached at an enterprise-wide level improving the efficiency of the risk management function and leading to resource savings. These functions lie within the second level of defence and include:

- Credit Risk Management
- Operational Risk Management
- Regulatory Compliance
- Real Estate Risk Management
- Remedial Management
- Internal Control and Compliance

Credit Risk Management

Credit risk refers to the risk the Bank faces due to the failure of an obligor to repay principal or interest or both at a stipulated time or as agreed. Credit risk is compounded when collateral partly covers the Bank's exposure to the borrower or when the valuation of collateral is exposed to changes in market conditions. ASO recognizes that its main asset and major source of revenue is its loan portfolio and by extension, it becomes the greatest source of risk to the safety and soundness of the Bank.

The Credit Risk Management function is responsible for monitoring the quality and performance of the credit portfolio as well as managing credit risks in the Bank's loan portfolio. The function is domiciled in the Credit Risk Management departments. Key responsibilities of the department include portfolio planning and monitoring, continuous review of the Bank's credit policies, credit analysis, administration and processing and mortgage insurance analysis and processing.

In the 2014 financial period, the Credit Risk Management function put in place initiatives to further strengthen its processes and the quality of the Bank's assets. Improvements to the function's process flow were achieved via the automated Facility Approval Memorandum (FAM). A spinoff of the department was created to allow for seamless relations with the Nigerian Mortgage Refinance Company (NMRC). The department also successfully deployed a

Collateral Management System to serve as a backup for its collateral records and further improve the document retrieval process. A pilot program to facilitate electronic dispatch of insurance certificates was also initiated. In addition, the Department also refocused its loan origination process to ensure that it is strategically attuned to the emergence of the Nigerian Mortgage Refinance Company (NMRC), which was launched in January, 2014.

Operational Risk Management

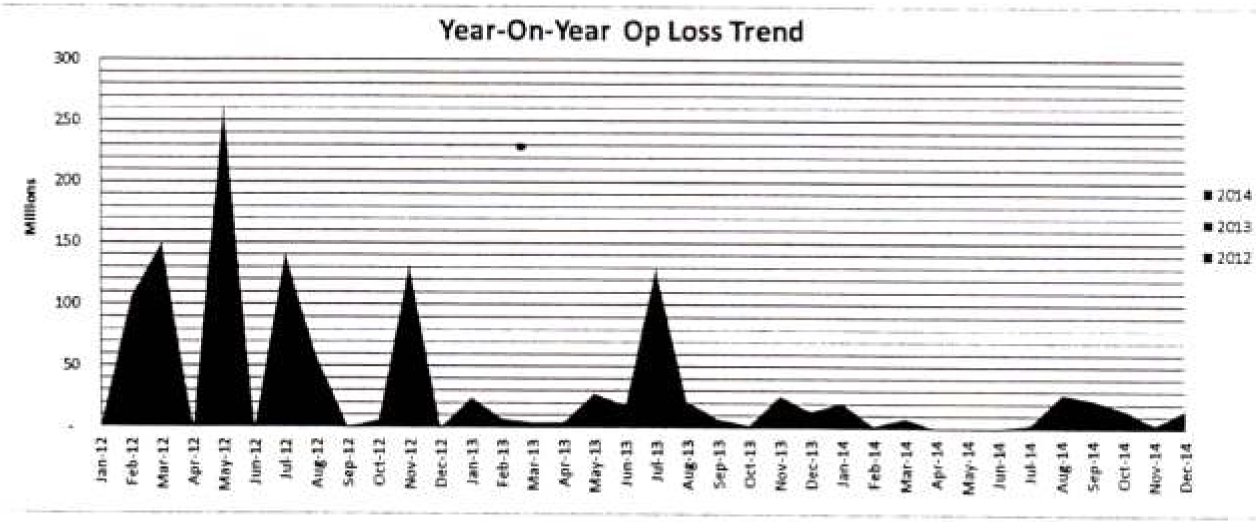
Operational risks arise as a result of inadequate or failed internal processes, people or systems from external events. When crystallized, these may lead to unplanned losses which could have a significant impact on the Bank's capital base. Operational risk in ASO is managed through a framework that recognizes the ownership of the risk by the business unit heads and an independent review by the audit function.

A key element in the Bank's operational risk framework includes tools to measure and manage operational risk. In this regard, the Bank maintains a loss events database that ensures all operational risk losses and near misses are captured and reported to Executive Management and the Board on a periodic basis. The unit conducts risk and control self-assessments (RCSA) for critical functions to ensure that key operational risk embedded within the Bank's processes are appropriately mitigated either by controls or a shoring up of the Bank's capital as a last resort.

In the 2014 financial year, the function through its revenue assurance function corrected income leakages on the banking application, completed risk and control self-assessments over a number of key processes and has achieved further reductions to operational losses incurred year-on-year since its inception in 2012.

The Bank has more room to improve on the successes of the unit by further integrating its budgeting processes with existing loss reporting capabilities.

CORPORATE GOVERNANCE REPORT - Continued



- *Trend profile on losses due to operational risk in the Bank*

Operational risk specific capital computations

There is a risk that the Bank may not have adequate capital in relation to its risk profile and/or to absorb losses when they arise. The tendency that capital may fall below the required regulatory minimum is also a risk. Capital management is overseen by the Board, which has overall responsibility for ensuring adequate capital is maintained by the Bank.

The Bank has in place and continues to refine the process of ensuring adequate capital levels and this includes:

- Capital planning
- Prudent portfolio management
- Maintaining adequate capital across identified risk exposures.

The adoption of Basel II/III framework was made mandatory for financial institutions by the Central Bank of Nigeria (CBN) in December 2013, however adoption by 'other financial institutions' (OFIs) is yet to be communicated. Nonetheless, the Bank's 'capital charge' - an expectation of operational loss for which capital projection is made – was computed strictly in line with Basic Indicator Approach (BIA) as stipulated by the CBN, further lending credence to similar techniques adopted prior to the CBN's circular. In this, the Bank continues to maintain a capability far ahead of its peers in the mortgage sector and maintains a posture/mentality of being a competitor with its commercial banking peers.

Operational risk capital charge for the 2014 financial year was put at N809.7m compared to a figure of N698.0m computed for FY 2013, a 16% increase due to a higher Gross Income (GI) figure year-on-year for the Bank. Closing operational loss figures for FY 2014 is put at N31.249m; 3.9% of capital charge computed for the year just ended 2014.

Regulatory Compliance

The Bank's Compliance function is responsible for ensuring that the Bank complies with regulations applicable to its business and operations. These include anti-money laundering, conduct of business and countering terrorist financing. ASO's Compliance function is currently overseen by the Head of Operational Risk and Compliance who reports to the Group Head, Enterprise Risk Management with policy drive at the Board level driven by the Chief Compliance Officer.

The function continues to promote a culture of awareness to ensure that Bank staff understand key regulatory issues and updates with respect to know-your-customer requirements, money laundering and identifying suspicious transactions. Key projects undertaken in the 2014 financial year included audit of the reporting platform of the Bank (RADAR) to further boost its capabilities and stay in touch with regulatory requirements.

Above all, the Bank's level of compliance with regulatory pronouncements and circulars is rated high despite the cost/fiscal implications of some of these on the Bank's operations.

Real Estate Risk Management

The Real Estate Risk Management Department is tasked with the responsibility of ensuring that the Bank's risk assets are adequately collateralized. The Department oversees construction projects to ensure that both cost and quality of these projects meets the Bank's specific standards. Project monitoring is instituted from initiation to completion stages to manage construction risks with respect to budget overrun, construction delays and quality issues. The Department also carries out assessments and commissions valuation reports that form a basis for the consideration of collaterals and the disbursement of loans.

During the 2014 financial year, the Department recorded the successful completion of 4 projects namely:

- Madras Nascent Estate, Durumi-Abuja
- Mende Villa Phase 2, Maryland, Lagos
- Ibadan Transformation Housing Estate, and
- Karu Community Market Phase 1, Karu-Abuja

The Department also successfully revalued 10 out of the Bank's total investment properties within the period.

Remedial Management

The ability of any financial institution to recover non-performing loans can impact profitability and liquidity. The Remedial Management Department has the responsibility of managing identified delinquent accounts and instituting effective and practical approaches to recover these facilities.

The Department made significant progress in the 2014 financial year, recovering N2.2bn through the use of aggressive but effective technical approaches to recovery. The Department maintains an excellent working relationship with law enforcement agencies and agents in its recovery processes, and retains significant Management support in effecting its activities.

Internal Control and Compliance

Internal controls are fundamental to ensure proper recording of transactions, without which financial data may become unreliable and mislead decision making. The Bank has an internal control system that identifies control weaknesses and provides measures to overcome the weaknesses identified. Internal Control and Compliance is the department tasked with implementing the Bank's control framework in line with the COSO framework; the fundamental philosophy guiding the Bank's internal control mechanism.

This framework has been used over the years to review the adequacy of the Bank's internal control platform. It also forms the basis for future amendments and changes to the internal control posture of the Bank. During the financial year, the Department further reviewed its guidelines, policies and procedures and revised its control system across the Bank's branches for improved efficiency in monitoring. The implementation of the automated internal control system (AICS) is proceeding according to plan and is aimed at better control efficiencies and cost reductions in running a successful policy oversight function. Optimised risk assessment and management is a further benefit of this automation.

Capital Management

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern – safety, soundness and stability - in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital (through objective capital allocation, monitoring of capital utilization and monitoring of prudential ratios).

CORPORATE GOVERNANCE REPORT - Continued

Capital management planning enables Management to make informed judgments about the appropriate amount and composition of capital needed to support the bank's business strategies across a range of potential scenarios and outcomes. Irrespective of how the Bank's capital planning process is oriented, it should aim at the sound practice of producing an internally consistent and coherent view of the Bank's current and future capital needs.

Every bank must hold adequate capital to ensure that it remains solvent even if it experiences an unusually large loss or other adverse outcomes from its business transactions and activities. The amount of capital that a bank must hold is therefore directly proportional to the level of risk that it faces. In keeping with the capital management objectives, the Bank ensures:

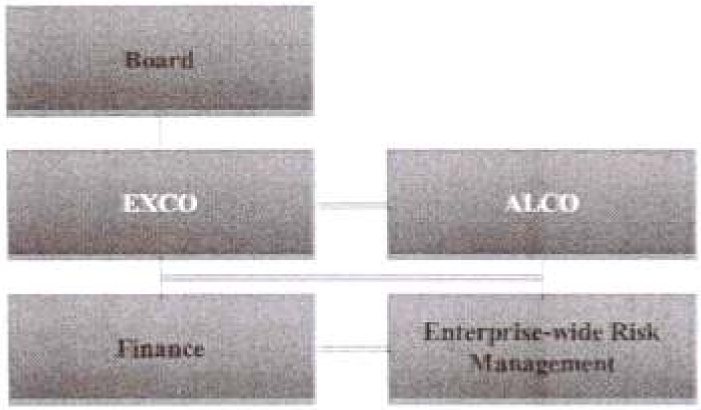
- Adequacy of processes put in place for capital planning
- Prudent portfolio management
- Risk-return profiling of all business decisions tied to risk taking
- Objective capital assessment and risk appetite

Aside serving as a buffer against insolvency, the Bank's capital levels determine to a large extent, the degree of confidence that stakeholders (customers, investors, depositors and counterparties) would have in the Bank. Specifically, the Bank maintains a capital buffer to:

- Absorb large unexpected losses
- Protect customers and other investors
- Support satisfactory credit rating

CORPORATE GOVERNANCE REPORT - Continued

To sustain a high level of confidence in its operations, the Bank has in place Board defined governing structures that ensure Management adheres to risk appetite and exposure levels defined in pursuing business objectives. It is important that a capital planning process reflects the input of different experts from across the Bank, including but not limited to staff from business, risk, finance and treasury departments. This ensures strong links between the capital planning, budgeting and strategic planning processes within the Bank. Collectively, these departments provide a view of the Bank's current strategy, the risks associated with that strategy and an assessment of how those risks contribute to capital needs as measured by internal and regulatory standards. See below:



- *The Bank's capital management structure*

In achieving the objectives for which they were setup, the entities saddled with capital management co-ordinate to oversee and develop the capital plan, working to formulate a response to factors that might necessitate capital additions, such as:

- Changes in regulatory requirements
- Growth in assets and liabilities (both on and off-balance sheet)
- Changes in the Bank's risk profile
- Amount of operating or investment losses suffered and
- Bank's dividend payout policy

CORPORATE GOVERNANCE REPORT - Continued

In conformance with Central Bank of Nigeria imposed capital requirements and in keeping with industry best practice, the Bank maintains the following variants of capital:

1. **Tier 1** capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

2. **Tier 2** capital, which includes revaluation reserves for property, plant & equipment, general provisions, fair value reserves for available for sale securities, preference shares and subordinated term debt.

The Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets amongst other prudential ratios. The Bank operates under a national license with a minimum regulatory capital of N5.0bn and it is expected to maintain a minimum Capital Adequacy Ratio (CAR) of 10%.

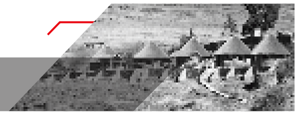
As a general matter, the credibility of a bank's capital planning can be questioned if the process does not adequately reflect material risks, some of which may be difficult to quantify. Banks (including Aso Savings & Loans Plc.) routinely quantify and hold capital against those risks that are specified in the minimum requirements or Pillar 1 of the Basel II/III regimes.
Banks with better practices have a comprehensive process in place to regularly and systematically identify, and understand the limitations of their risk quantification and measurement methods. In addition, banks seek to capture in their capital plans those risks for which an explicit regulatory capital treatment is not present, such as, but not limited to, positions that result in concentrated exposures to a type of counterparty or industry, reputational risk and strategic risk. This level of sophistication is the ultimate goal.

Above all, the Bank's strategy during the year, which was unchanged, continued with efforts to keep a strong capital base and to sustain future development of the business. The Bank recognizes the impact of the level of capital on shareholders' return and sought to maintain a balance between demands for higher returns for level of risk invested in and fiscal implications of requirements of a sound capital position brought about by regulations.

ACCOUNTABILITY, REPORTING AND AUDIT:

Reporting:

Our Board is fully aware that its authority and responsibilities are delegated by the shareholders to whom it owes a stewardship account. The interests of various other stakeholder groups in the Company's conduct and performance are similarly acknowledged. Accordingly, the Company's financial reporting system constitutes a vital medium of stewardship to the shareholders and stakeholders and our Board has assumed full responsibility for the reliability of these reports. The Company has fully adopted and indeed presents its report in line with the requirements of the International Financial Reporting Standards (IFRS). Furthermore as a listed financial institution, we have presented our quarterly financial reports to the relevant regulators and with their approval, published same in our corporate website



CORPORATE GOVERNANCE REPORT - Continued

as well as the national dailies. We have also consistently and accurately presented our reports on the non-financial aspects of our performance and have made full disclosures in line with the legal and regulatory requirements.

Most critical to our reporting system is the integrity of our reports. We have developed a formal and rigorous system that independently verifies and safeguards the integrity of our corporate reporting. This system fundamentally hinges on our Audit structure which comprises our Internal Audit, External Auditors and Audit Committee.

To further ensure accountability, the Company has developed a whistle blowing portal where staff can report genuine concerns about unethical behaviour, regulatory infractions, misconduct or misdemeanour within the organization. Staff has been duly sensitised on the existence and use of this portal as well as reassured on the confidentiality of the whistle blower. To further assure the whistle blower's confidentiality and prevent victimization, accessibility to logged-in reports was designed taking cognisance of such risks. Furthermore, the design permits anonymous reports and a whistle blowing policy document similarly exists to ensure the full benefits of the system are realized while allaying fears nursed by potential whistle blowers.

Internal Audit:

Our understanding is that an effective Internal Audit function provides an independent assurance to the Board and Management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes thereby helping the Board and Management protect the organisation and its reputation. To this end, the Internal Audit unit reports directly to the Board through the Audit Committee but nevertheless maintains a direct line of communication with the MD/CEO, with an unrestricted access to the Board and Audit Committee Chairmen. Its purpose, authority and responsibilities are guided by an Audit Charter approved by the Audit Committee and Board. Internal Audit staffers are required to possess skills commensurate with the business activities and risks of the Company. They are also continuously trained to judge the effectiveness of the Company's risk management and compliance function, including the quality of risk reporting and effectiveness of other key control functions.

At the beginning of the financial year, our Internal Audit presented and obtained the Audit Committee's approval on an annual risk based internal audit plan. This had guided the activities of the Internal Audit within the financial year. As a policy, Internal Audit reports were within the year provided directly to the Audit Committee as well as the Board without Management filtering. To ensure maximum escalation of all audit issues, reports on Internal Audit activities and findings are forwarded directly to the Board Chairman on a monthly basis. A timely and effective correction of audit exceptions was also emphasized and strictly enforced by the Audit Committee and Board.

External Audit:

The Company has retained the services of Ernst & Young and Aminu Ibrahim & Co as its Joint External Auditors. The main responsibility of the External Auditors is to obtain reasonable assurance, in their professional opinion, that the Financial Statements are free from material error or mis-statements, avail a true and fair view of the financial position

CORPORATE GOVERNANCE REPORT - Continued

of the Company and comply with the relevant laws and guidelines. This responsibility avails users of the financial reports some reassurance that the information in the financial reports can be safely relied on.

To this end, the Board has ensured that the External Auditors maintain full independence from the Company with neither the audit firms nor their partners holding any shares nor business interest in the Company. To further secure the Auditors' independence from the Management, their appointment, remuneration, reappointment and termination requires the approval of the Audit Committee, Board and Shareholders. The Auditors similarly present their reports directly to the Audit Committee. Since undue dependence on a single audit client could impair objectivity, care was taken by the Board in ensuring that large and reputable audit firms with vast clientele were engaged by the Company.

The External Auditors do not provide consultancy or other non-audit services to the Company. Auditing teams from the firms are rotated on an annual basis to forestall undue familiarity and compromises. Effectively, the Board has taken due care to ensure that the Auditors' judgment on the financial statements is objective and reliable.

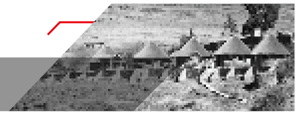
ETHICS AND CORPORATE SOCIAL RESPONSIBILITY (CSR):

The Company recognises that a corporate culture which supports and provides appropriate norms and incentives for professional and responsible behaviour is an integral foundation of good governance. Our Board has taken the lead in setting professional standards and corporate values that promote integrity for itself, senior management and other employees. To this end, a code of ethics sustaining our corporate culture exists for the Board, Management and Employees.

Indeed, we run a business that integrates social, environmental, ethical and human rights concerns into our business operations and core strategy. We have within the year, as part of our Corporate Social Responsibility (CSR), contributed immensely to educational and vocational development while promoting poverty alleviation and youth empowerment. The Company is aware of its social responsibilities towards all stakeholders and the society as a whole. As required by the relevant regulations, our CSR activities for the year have been fully disclosed in the annual reports.

CONCLUSION:

We seek to attain and retain the status of the Mortgage Bank of choice in Nigeria. We acknowledge that the trust and confidence of all stakeholders are critical to this aspiration. To gain such trust, we must enhance our corporate image in the public eye as a self-policing Company that is responsible and worthy of investors' capital and public patronage. To retain this trust, we must continuously maintain the highest level of transparency, accountability and integrity in our dealings. Effectively, it is in our interest to maintain a system of sound corporate governance, and for the sake of our corporate survival and sustainable growth, our efforts in this regard has been without relent.



STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RELATION TO THE PREPARATION OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Bank at the end of the year and of its financial performance. The responsibilities include ensuring that the Bank:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank, and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004;

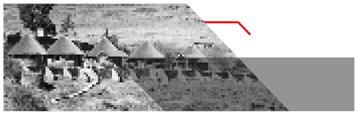
b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities and:

c) prepares financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

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 International Financial Reporting Standards (IFRS) issued by theInternational Accounting Standards Board (IASB)
- the Regulatory and Supervisory Guidelines for Primary Mortgage Institutions in Nigeria
- relevant circulars issued by the Central Bank of Nigeria
- the requirements of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004
- the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and
- Financial Reporting Council of Nigeria Act, No. 6, 2011

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit for the year ended 31 December 2014. 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.



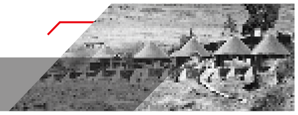
STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RELATION TO THE PREPARATION OF FINANCIAL STATEMENT - Continued

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.

Olutoyin Okeowo
Director
FRC/2013/IODN/00000002638

Adekunle Adedigba
Managing Director/CEO
FRC/2016/ICAN/00000014376

17 May 2017



REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2014
TO THE MEMBERS OF ASO SAVINGS & LOANS PLC

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the members of the Audit Committee of Aso Savings & Loans Plc hereby report as follows:

- We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

- We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of the external audit for the year ended 31 December 2014 were satisfactory and reinforce the Bank's internal control systems.

- The management complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks", and hereby confirm that an aggregated amount of ₦11.383 billion was outstanding as at 31 December 2014 of which ₦42.417 million was non-performing. See Note 30 for details.

- We reviewed the management letter of the external auditors and are satisfied with management response thereto.

- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.

Ibrahim Oruma
Chairman, Audit Committee
FRC/2013/NIM/00000003587

9 May 2017

Members of the Audit Committee are:

1.	Ibrahim Oruma	Chairman
2.	Olutoyin Okeowo	Member
3.	Dr. Musa Ahmed Musa	Member
4.	Joshua Audu Maikori	Member
5.	El-Amin Bello	Member
6.	Dr. Faruk Umar	Member

INDEPENDENT JOINT AUDITORS' REPORT
TO THE MEMBERS OF ASO SAVINGS & LOANS PLC
FOR THE YEAR ENDED 31 DECEMBER 2014

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INDEPENDENT JOINT AUDITORS' REPORT TO THE MEMBERS OF

ASO SAVINGS & LOANS PLC

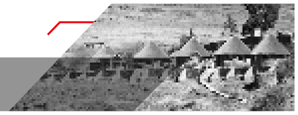
FOR THE YEAR ENDED 31 DECEMBER 2014

Report on the financial statements

We have audited the accompanying financial statements of **ASO Savings & Loans Plc**, which comprise the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, Regulatory and Supervisory Guidelines for Primary Mortgage Institutions in Nigeria, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria circulars and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



INDEPENDENT JOINT AUDITORS' REPORT TO THE MEMBERS OF ASO SAVINGS & LOANS PLC - Continued

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 the 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 auditors' 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 present fairly, in all material respects, the financial position of **ASO Savings & Loans Plc** as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Regulatory and Supervisory Guidelines for Primary Mortgage Institutions in Nigeria, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria circulars.

Aminu Ibrahim & Co

INDEPENDENT JOINT AUDITORS' REPORT TO THE MEMBERS OF

ASO SAVINGS & LOANS PLC - Continued

FOR THE YEAR ENDED 31 DECEMBER 2014

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 35 to the financial statements which indicates that the Bank recorded a net loss of ₦1.54 billion for the year ended 31 December 2014 (2013: ₦608.76 million – net profit) and as at the reporting period, the Bank's shareholders funds of ₦3.8 billion (2013: ₦5.3 billion) is less than the minimum regulatory capital requirement of ₦5 billion. These conditions indicate the existence of a material uncertainty on the Bank's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) in our opinion, proper books of account have been kept by the Bank, so far as it appears from our examination of those books;

iii) the Bank's statement of financial position and statement of profit and loss (statement of profit or loss and other comprehensive income) are in agreement with the books of account.

In accordance with the Bank and Other Financial Institutions Act, CAP B3 Law of the Federation of Nigeria 2004 and circulars issued by Central Bank of Nigeria:

i. We confirm that our examination of the loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria.

INDEPENDENT JOINT AUDITORS' REPORT
TO THE MEMBERS OF ASO SAVINGS & LOANS PLC - Continued

ii. Related party transactions and balances are disclosed in Note 30.1 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

iii. As disclosed in Note 32 to the financial statements, the Bank contravened certain provisions of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Revised Guidelines for Primary Mortgage Banks in Nigeria and certain Central Bank of Nigeria circulars.

Kayode Famutimi, FCA
FRC/2012/ICAN/00000000155
For: Ernst & Young
Lagos, Nigeria
24 May 2017

A1273382

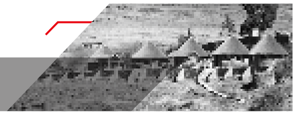
Adekunle Lasisi, FCA
FRC/2013/ICAN/00000000945
For: Aminu Ibrahim & Co
Abuja, Nigeria
24 May 2017

A0774097

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 ₦'000	2013 ₦'000
Interest income	7	7,186,859	9,041,134
Interest expense	8	(4,517,406)	(4,208,008)
Net interest income		2,669,453	4,833,126
Net fee and commission income	9	534,197	158,205
Other operating income	11	700,887	1,099,790
Total income		3,904,537	6,091,121
Personnel expenses	12	(2,187,549)	(2,062,974)
Other operating expenses	13	(2,654,623)	(1,630,448)
Net impairment reversed/(charged)	14	(148,339)	(1,377,214)
Depreciation of property, plant and equipment	20	(404,976)	(391,708)
Amortisation of intangible assets	21	(14,967)	(20,013)
Total expenses		(5,410,454)	(5,482,357)
(Loss)/profit before income tax		**(1,505,917)**	**608,764**
Income tax expense	15	(38,004)	(401,255)
(Loss)/Profit for the year		**(1,543,921)**	**207,509**
Other comprehensive (loss)/income		-	-
Total comprehensive (loss)/profit for the year		**(1,543,921)**	**207,509**
(Loss)/earnings per share – basic and diluted (in kobo)	28.1.3	(10.47)	1.41

The accompanying Notes to the Financial Statements form part of these financial statements.



STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	31 December 2014 ₦'000	31 December 2013 ₦'000
Assets:			
Cash and cash equivalents	16	17,509,039	17,433,875
Loans and advances to customers	17	47,327,664	34,249,099
Promissory notes	18	3,239,336	2,931,730
Investment securities:			
- Held-to-maturity	19	9,718	3,394,143
Other assets	22	8,890,505	8,305,387
Property, plant and equipment	20	2,419,587	2,708,492
Intangible assets	21	2,791	17,758
		79,398,640	69,040,484
Non-current assets held for sale	23	20,203,152	18,082,236
Total assets		**99,601,792**	**87,122,720**
Liabilities:			
Deposits from banks	24	24,337	53,325
Deposits from customers	24.1	57,903,230	58,470,141
Current income tax liabilities	25	80,545	245,258
Deferred tax liabilities	25.1	-	63,371
Other liabilities	26	20,604,041	12,511,679
Borrowings	27	17,202,919	10,448,305
Total liabilities		95,815,072	81,792,079
Equity:			
Share capital	28.1.2	7,370,867	7,370,867
Retained earnings	28.3	(4,093,245)	(2,607,030)
Statutory reserve	28.2.1	457,509	457,509
Regulatory risk reserve	28.2.2	51,589	109,295
Total equity		3,786,720	5,330,641
Total liabilities and equity		**99,601,792**	**87,122,720**

STATEMENT OF FINANCIAL POSITION - Continued

The financial statements were approved by the Board of Directors on 17 May 2017 and signed on its behalf by:

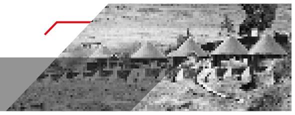
Adekunle Adedigba
Managing Director
FRC/2016/ICAN/00000014376

Olutoyin Okeowo
Director
FRC/2013/IODN/00000002638

Additionally Certified by

Asma'u J. Atta
Group Head, Risk and Finance
FRC/2016/ANAN/00000015111

The accompanying Notes to the Financial Statements form part of these financial statements



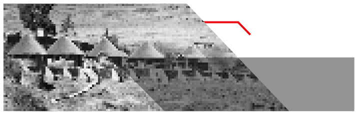
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Share capital ₦'000	Retained earnings ₦'000	Statutory reserve ₦'000	Regulatory risk reserve ₦'000	Total equity ₦'000
Balance as at 1 January 2014		7,370,867	(2,607,030)	457,509	109,295	5,330,641
Total comprehensive loss for the year			(1,543,921)	-		(1,543,921)
Transfer from regulatory risk reserve		-	57,706	-	(57,706)	-
Balance as at 31 December 2014	28.1.2	7,370,867	(4,093,245)	457,509	51,589	3,786,720

FOR THE YEAR ENDED 31 DECEMBER 2013

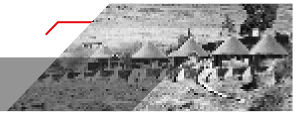
	Note	Share capital ₦'000	Retained earnings ₦'000	Statutory reserve ₦'000	Regulatory risk reserve ₦'000	Total equity ₦'000
Balance as at 1 January 2013		4,339,574	(3,290,560)	457,509	585,316	2,091,839
Issuance of shares		3,031,293	-	-	-	3,031,293
Total comprehensive income for the year		-	207,509	-	-	207,509
Transfer from regulatory risk reserve		-	476,021	-	(476,021)	-
Balance as at 31 December 2013	28.1.2	7,370,867	(2,607,030)	457,509	109,295	5,330,641

The accompanying Notes to the Financial Statements form part of these financial statements.



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 ₦'000	2013 ₦'000
Cash flows from operating activities			
(Loss)/profit before income tax		(1,505,917)	608,764
Adjustments for:			
Depreciation of property, plant and equipment	20	404,976	391,708
Amortisation of intangible assets	21	14,967	20,013
Impairment (reversal)/charge on loans and advances		(587,135)	910,629
Net impairment on other assets	22.2	735,474	466,585
Profit on disposal of property, plant and equipment	11	(7,240)	(8,221)
Profit on disposal of non current asset held for sale	11	(635,443)	(990,370)
Foreign exchange loss/(gain)	11 & 13	28,728	(47,024)
		(1,551,590)	1,352,084
Change in loans and advances to customers		(12,491,430)	(2,527,778)
Change in promissory notes		(307,606)	(307,606)
Change in other assets		(1,320,592)	(3,157,220)
Change in deposits from banks		(28,988)	-
Change in deposits from customers		(566,911)	6,916,213
Change in other liabilities and provisions		8,092,361	5,207,877
		(8,174,756)	7,483,570
Income tax paid	25	(266,088)	(472,946)
Net cash flows (used in)/from operating activities		**(8,440,844)**	**7,010,624**
Cash flows from investing activities			
Purchase of held to maturity financial assets		-	(3,270,540)
Proceeds from maturity of held to maturity financial assets		3,384,425	-
Purchase of property and equipment	20	(194,000)	(387,864)
Proceeds from the sale of property, plant and equipment		85,171	60,977
Purchase of intangible assets	21	-	(3,675)
Purchase of non-current assets held for sale	23	(6,423,580)	(6,552,993)
Proceeds from disposal of non-current assets held for sale		4,938,107	6,255,286
Net cash flows from/ (used in) investing activities		**1,790,123**	**(3,898,809)**



STATEMENT OF CASH FLOWS - Continued

Cash flows from financing activities			
Proceeds from issue of ordinary share capital	28.1.2	-	3,031,293
Proceeds from borrowings	27.1	15,185,223	9,147,070
Repayments of borrowings	27.1	(8,430,609)	(14,990,228)
Net cash flows from/(used in) financing activities		**6,754,614**	**(2,811,865)**
Net increase in cash and cash equivalents		103,892	299,950
Cash and cash equivalents at 1 January		17,433,875	17,086,901
Effect of exchange rate fluctuations on cash held		(28,728)	47,024
Cash and cash equivalents at 31 December	16	**17,509,039**	**17,433,875**

The accompanying Notes to the Financial Statements form part of these financial statements.

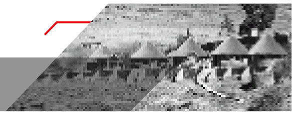
STATEMENT OF PRUDENTIAL ADJUSTMENT
AS AT 31 DECEMBER 2014

The Regulatory Body Central Bank of Nigeria/Nigeria Deposit Insurance Corporation stipulates that provisions for all losses recognised in the profit or loss shall be determined based on requirement of IFRS. The IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserve should be treated as follows:

(i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to Non distributable regulatory reserve.

(ii) Prudential Provisions is less than IFRS provisions: the excess charges resulting should be transferred from the account to the general reserve to the extent of the non-distributable reserve previously recognised.

	31 December 2014 ₦'000	31 December 2013 ₦'000
Transfer to regulatory reserve		
Prudential provision	7,501,789	7,411,155
Total Prudential Provision	7,501,789	7,411,155
IFRS Provision:		
Specific impairment	1,830,841	3,880,824
Portfolio impairment	1,977,592	514,744
Provision for other asset	3,483,895	2,748,421
Provision for investment	157,871	157,871
	7,450,200	7,301,860
Difference in the impairment provision balance	51,589	109,295
Movement in the Regulatory Risk Reserve		
Balance at the beginning of the year	109,295	585,316
Transfer (to)/from accumulated losses	(57,706)	(476,021)
Balance as at end of the year	51,589	109,295



NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

ASO Savings & Loans Plc ("the Mortgage Bank") is a bank domiciled in Nigeria. The address of the mortgage bank's registered office is Plot 266, FMBN Building, Cadastral Zone AO, Central Business District, Abuja. The Mortgage Bank was licensed to operate as a Mortgage institution in December 1996 and commenced operations in January 2007. It was converted to a Public Limited Bank on 22 September 2005 and its shares were listed in the Nigerian Stock Exchange on 25 April 2008.

The mortgage bank is principally engaged in mortgage banking. The financial statements have been authorized for issue by the resolution of the Directors on 16 February 2016.

2.1 Basis of preparation

The financial statements of the mortgage bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Regulatory and Supervisory Guidelines for Primary Mortgage Institutions in Nigeria, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria circulars.

The financial statements have been prepared based on the order of liquidity.

a) Functional and presentation currency

These financial statements are presented in Nigerian Naira, which is the Mortgage Bank's functional currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand. (₦'000).

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following:

- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.
- Available-for-sale financial assets are measured at fair value through equity. However, when the fair value of the Available-for-sale financial assets cannot be measured reliably, they are measured at cost less impairment.

(c) Use of estimates and judgements

The preparation of financial statements in line with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS - Continued

(d) Fair value value measurements

Financial assets and liabilities for which fair values are disclosed are listed below:

- Loans and advances
- Promisory notes
- Held to maturity
- Non-current assets held for sale
- Borrowings

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

2.1 Basis of preparation - Continued

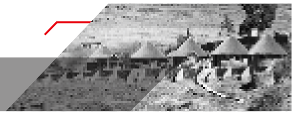
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable input.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



NOTES TO THE FINANCIAL STATEMENTS - Continued

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The fair values determined closely approximate the carrying value.

2.2 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently applied to all periods presented in these financial statements.

2.2.1 Foreign currency translation

Transactions in foreign currencies are translated to the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the spot rate as at the reporting date. Non monetary items measured at historical cost denominated in a foreign currency are translated with the spot exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

2.2.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payement is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contracturally defined terms of payment and excluding taxes or duty.

The following are specific accounting policy on revenue recognition for the Bank.

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.2 Summary of Significant Accounting Policies - Continued

2.2.2 Revenue recognition - Continued

Interest income

Interest income and expense for all interest bearing financial instruments, are recognised within 'interest income' and 'interest expense' in the statement of profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. The effective interest rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently.

Fees and commission

Fees and commission income (such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantee, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalising the transaction) and fees and commission expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate of financial assets or liabilities.. Other fees and commission income, including account servicing fees, placement fees, sales commission and syndication fees, are recognised as the related services are performed.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

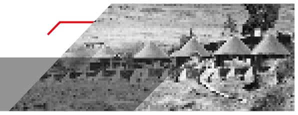
2.2.3 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

2.2.4 Current income tax

Current Income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantiatively enacted, at the reporting dated in the countries where the Bank operates and generates taxable income.

The Mortgage Bank periodically evaluates positions taken in tax returns: ensuring information disclosed are in agreement with the underlying tax liability which has been adequately provided for in the financial statements.



NOTES TO THE FINANCIAL STATEMENTS - Continued

2.2.5 Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to be apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- temporary differences arising on the initial recognition of goodwill,
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit,
- temporary differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future and

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.2 Summary of Significant Accounting Policies - Continued

2.2.5 Deferred tax - Continued

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.2.6 Financial assets and liabilities

(a) Date of recognition and initial measurement

The Mortgage Bank initially recognises loans and advances to customers, deposits, promissory notes on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Mortgage Bank becomes a party to the contractual provisions of the instrument.

All financial instruments are measured initially at their fair value plus transaction costs.

(b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification in accordance with IAS 39 viz:

(bi) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity and which were not designated as at fair value through profit and loss or as available for sale. A sale or reclassification of more than an insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Mortgage Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

The difference between amortised cost and fair value will be accounted for in equity. Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment. The EIR amortisation is included as interest income on investment securities in the statement of profit or loss.

The losses arising from impairment are recognised in the statement of profit or loss as finance costs.

(bii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are measured at amortised cost using the effective interest method, less anyimpairment losses. Origination transaction costs and origination fees received that are integral to theeffective rate are capitalised to the value of the loan and amortised through interest income as part ofthe effective interest rate. All of the Bank's advances are included in the loans and receivable category.

(biii) Available-for-sale investments
Available-for-sale investments are non-derivative investments that are neither classified as held for trading nor designated at fair value through profit or loss. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value through other comprehensive income. Available for sale financial investments are carried at costs when equity instruments cannot be carried at fair value because its fair value cannot be reliably measured. Available for sale financial assets are carried at costs when equity instruments cannot be carried at fair value because its fair value cannot be reliably measured. These are tested for impairment in line with IAS 39 and any impaired expenses that arise therefrom are not reversed in subsequent periods.

2.2 Summary of Significant Accounting Policies - Continued

2.2.6 Financial assets and liabilities - Continued

(biii) Available-for-sale investments - Continued

Interest earned whilst holding available-for-sale financial investments (excluding equity instruments) is reported as interest income using the EIR. The losses arising from impairment of such investments are recognised in the profit or loss in 'Impairment losses on financial investments' and removed from the Available-for-sale reserve.

(biv) Share capital and reserves

(1) *Share issue costs*
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(2) *Dividend on ordinary shares*
Dividends on the Mortgage Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Bank's shareholders. No dividends were declared nor paid during the years ended 31 December 2014 and 31 December 2013.

(3) *Earnings per share*
The Mortgage Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Mortgage Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS - Continued

(bv) Promissory notes

Promissory notes are written, dated and signed two-party instruments containing an unconditional promise by the issuer to pay a definite sum of money to a payee on demand or at a specified future date. Promissory notes are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the promissory note.

(c) *Impairment of financial assets*

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(ci) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held to maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Interest and similar income.

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.2 Summary of Significant Accounting Policies - Continued

2.2.6 Financial assets and liabilities - Continued

(ci) *Financial assets carried at amortised cost - Continued*

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include:

- a breach of contract such as a default or delinquency in interest or principal repayments by a borrower;
- restructuring of a loan or advance by the Mortgage Bank on terms that the Mortgage Bank would not otherwise consider;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security, or other
- observable data relating to a group of assets data indicating that there is a measurable decrease in the estimated future cash flows from the group of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including ¾ adverse changes in the payment status of borrowers or issuers in the group, or ¾ national economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Mortgage Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(cii) Available-for-sale financial assets
Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in the profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to the profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in the profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the profit or loss the impairment loss is reversed through the profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the profit or loss but accounted for directly in equity. The Bank has unquoted equity instrument measured at cost.

2.2 Summary of Significant Accounting Policies - Continued

2.2.6 Financial assets and liabilities - Continued

(civ) *Offset of financial instruments*
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has currently enforceable a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The financial assets and liabilities are presented on a gross basis.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions such as in the Mortgage Bank's trading activity.

(cv) Derecognition of financial instruments
The Mortgage Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

NOTES TO THE FINANCIAL STATEMENTS - Continued

Any interest in transferred financial assets that is created or retained by the Mortgage Bank is recognised as a separate asset or liability.

The Mortgage Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Mortgage Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. In transactions where the Mortgage Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Mortgage Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

2.2.7 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Mortgage Bank in the management of its short-term commitments.

2.2.8 Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When significant parts of plant and equipment are required to be replaced at intervals, the entity depreciates them separately based on their specific useful lives.

(ii) *Subsequent costs*

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property andequipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS - Continued

2.2 Summary of Significant Accounting Policies - Continued

2.2.8 Property, plant and equipment - Continued

(iii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of property, plant and equipment to their residual values. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The estimated useful lives for the current and comparative period are as follows:

Buildings	20 years
Computer equipment	3 years
Furniture and office equipment	5 years
Motor vehicles	4 years
Plant and machinery	5 years
Leased assets	As in related class of asset

Depreciation methods, useful lives and residual values are reassessed at each reporting date and prospectively if needed.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iv) *Capital work in progress*

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category.

(v) *De-recognition*

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

2.2.9 Non-current asset held for sale

A property is classified as non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. For the sale to be highly probable:

- The Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated.
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.2.10 Intangible assets

The Bank's intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in profit or loss.

2.2 Summary of Significant Accounting Policies - Continued

2.2.10 Intangible assets - Continued

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software: 3 years

Computer software

Computer software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

2.2.11 Leased assets - lessee

Leases in terms of which the Bank assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2.2.12 Impairment of non-financial assets

The carrying amounts of the Mortgage Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

NOTES TO THE FINANCIAL STATEMENTS - Continued

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal an appropriate valuation model is used.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

2.2.13 **Deposits**

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

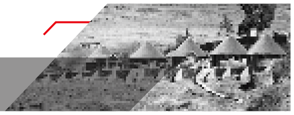
2.2.14 **Employee benefits**

The Bank operates a defined contribution plan, which requires contributions to be made to a separately administered fund.

(i) *Defined contribution plans*

A defined contribution plan is a pension plan under which the mortgage bank pays fixed contributions to a separate entity. The mortgage bank has no legal or constructive obligations 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.

For defined contribution plans, the mortgage bank pays contributions to publicly or privately administered pension fund administrators (PFA) on a mandatory, contractual or voluntary basis. The mortgage bank has



no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in the profit or loss when they are due.

2.2 Summary of Significant Accounting Policies - Continued

2.2.14 **Employee benefits - Continued**

(ii) *Short-term benefits*

Employee benefits include:

(a) Short-term employee benefits, such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

(i) wages, salaries and social security contributions;
(ii) paid annual leave and paid sick leave;
(iii) profit-sharing and bonuses; and
(iv) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Mortgage Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.2.17 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures, as well as key management personnel.

3. **Significant accounting judgements, estimates and assumptions**

Management discusses with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management.

(a) **Key sources of estimation uncertainty**

(i) Allowances for credit impairment

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.2.6. The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of

NOTES TO THE FINANCIAL STATEMENTS - Continued

the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

(ii) Determining fair values
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 2.2.6. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 18.2.

3. Significant accounting judgements, estimates and assumptions - Continued

(a) Key sources of estimation uncertainty - Continued

(iii) Depreciation, amortisation and carrying value of property, plant and equipment and intangible assets

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property, plant and equipment and intangible assets will have an impact on the carrying value of these items.

(iv) Current Income tax assets and liabilities
The managment periodically evaluates positions taken in tax returns: ensuring information disclosed are in agreement with the underlying tax liability which has been adequately provided for in the financial statements.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantiatively enacted, at the reporting dated in the countries where the Bank operates and generates taxable income.

NOTES TO THE FINANCIAL STATEMENTS - Continued

(b) **Critical accounting judgements in applying the Bank's accounting policies**

Critical accounting judgements made in applying the Bank's accounting policies include:

Valuation of financial instruments:
The Bank's accounting policy on fair value measurements is discussed under note 2.2.8 The Bank measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using inputs that are not based on observable market data, i.e., unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(ii) Financial assets and liabilities classification
The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.
Details of the Bank's classification of financial assets and liabilities are given under the accounting policies in note 2.2.6.

(iii) Going concern
The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS - Continued

3. **Significant accounting judgements, estimates and assumptions - Continued**

(b) **Critical accounting judgements in applying the Bank's accounting policies - Continued**

(iv) Determination of impairment of property, plant and equipment, and intangible assets, excluding goodwill
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

4. **New standards and interpretations effective in the current year**

New Standards and Improvements

The accounting policies adopted in the preparation of the 2014 financial statements are consistent with those followed in the preparation of the Bank's 2013 financial statements, except for the adoption of new standards or interpretations effective as of 1 January 2014 that have impact on the bank.

The nature and the impact of each new standard/amendment are described below:

(i) **IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)**
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Bank is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Bank.

(ii) **Investment Entities (Amendments to IFRS10, IFRS12 and IAS 27)**
The amendments provide 'investment entities' (as defined), an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39. The amendments also require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries and nature of relationship between the entity and its subsidiaries. The standard has no impact on the bank as it does not have a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS - Continued

(iii) IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets. (Amendments to IAS 36)
These amendments become effective in the annual periods beginning on or after 1 January 2014. As a result of the amendments, entities are no longer required to disclose information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The impacts of these amendments have been assessed by the Bank. There were no events which warranted the bank to impair its non-financial assets such as purchased software.

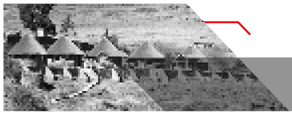
(iv) IFRIC 21 - Levies. (Interpretation on IAS 37)
IAS 37 - 'Provisions, contingent liabilities and contingent assets' sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. A levy for this purpose is defined as an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislations other than income taxes (IAS 12) or fines or other penalties.

4. New standards and interpretations effective in the current year - Continued

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Bank, since the Bank does not has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Bank as the Bank does not have any derivatives to be novated.

Annual Improvements *2010-2012 Cycle*
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Bank.



NOTES TO THE FINANCIAL STATEMENTS - Continued

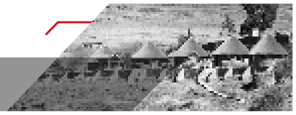
Annual Improvements *2011-2013 Cycle*

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Bank, since the Bank is an existing IFRS preparer.

5. Standards and Interpretations issued/amended but not yet effective

The IASB and the IFRIC have published the following standards and interpretations, which were yet to be effective at the end of the financial year.

Summary	Effective date
Amendments to IAS 19 Defined Benefits Plan: Employee Contributions	01-Jul-14
Amendments to IFRS 11- Joint Arrangements: Accounting for acquisitions Of Interests	01-Jan-16
Amendments to IAS 16 and IAS 38: Clarification of Acceptable methods of Depreciation and Amortization	01-Jan-16
Amendments to IAS 27: Equity Method in a Separate Financial Statements	01-Jan-16
Annual Improvements 2010-2012 Cycle	01-Jul-14
1. IFRS 2: Share Based Payments	
2. IFRS 3: Business Combinations	
3. IFRS 8: Operating Segments.	
4. IAS 16: Property, Plant and Equipment	
5. IAS 24: Related Party Disclosures	
Annual Improvements 2011-2013 Cycle	01 Jul-14
1. IFRS 3: Business Combinations	
2. IFRS 13: Fair Value Measurements	
3. IAS 40: Investment Property	
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01-Jan-16
Annual Improvements 2012:2014 cycle	01-Jan-16
1. IFRS 5 Non-Current Asssets for Sale and Discontinued Operations	
2. IFRS 7: Financial Instruments: Disclosures	
3. IAS 19: Employee Benefits	
4. IAS 34: Interim Financial Reporting	



NOTES TO THE FINANCIAL STATEMENTS - Continued

Amendments to IFRS 10, IFRS 12, IAS 28 Investment Entities Applying the Consolidation Exception	01-Jan-16
IFRS 14 – Regulatory Deferral Accounts	01-Jan-16
Disclosure Initiative (IAS 1 Amendments)	01-Jan-16
IFRS 15 Revenue from Contracts from Customers	01-Jan-18
IFRS 9 Financial Instruments	01-Jan-18
Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41	01-Jan-16
IFRS 16 – Leases	01-Jan-19
Amendments to IAS 12: Recogntion of Deferred Tax Assets for Unrealised Losses	01-Jan-17

Commentaries on these new standards/amendments for the standrads issued that are relevant to the Bank are provided below.

Annual improvements *2010-2012 Cycle*
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. They include:

IFRS 8 *Operating Segments*
The amendments are applied retrospectively and clarifies that:
- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

NOTES TO THE FINANCIAL STATEMENTS - Continued

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 *Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements *2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. They include:

IFRS 13 *Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

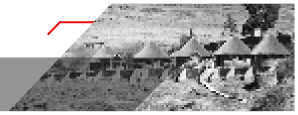
Annual Improvements *2012-2014 Cycle*
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. It is not expected that this amendment will have a material impact on the Bank at the end of the reporting period.

Amendments to IAS 1 *Disclosure Initiative*
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any material impact on the Bank.



NOTES TO THE FINANCIAL STATEMENTS - Continued

5. Standards and Interpretations issued/amended but not yet effective - Continued

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 9 - Financial instruments

IFRS 9 includes requirements for the recognition and measurement of all financial instruments with emphasis on the accounting for hedging transactions. The standard is a replacement for the current IAS 39. The bank will be impacted by the adoption of IFRS 9 as all financial assets designated as Available for sale (AFS) would have to be classified as either Fair Value Through Profit or Loss or measured at amortised cost.

This standard will have impact on the classification and measurement of financial assets of the Bank. It will also have significant impact on the impairment of financial assets.

6 Fair value measurements

6.1 The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Fair value measurement hierarchy for financial assets and liabilities as at 31 December 2014 and 2013:

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			₦'000	
Assets for which fair values are disclosed:				
Loans and advances	31 December 2014	-	48,998,801	-
Investment securities - Held to maturity	31 December 2014	-	9,720	-
Promisory notes	31 December 2014	-	3,239,340	-
Liabilities for which fair values are disclosed				

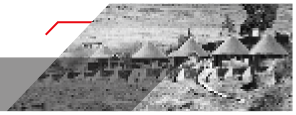
NOTES TO THE FINANCIAL STATEMENTS - Continued

Borrowings	31 December 2014	-	17,202,923	-
Assets for which fair values are disclosed:				
Loans and advances	31 December 2013	-	34,249,101	-
Investment securities - Held to maturity	31 December 2013	-	3,394,151	-
Promisory notes	31 December 2013	-	2,931,743	-
Liabilities for which fair values are disclosed				
Borrowings	31 December 2013	-	10,448,317	-

6.2 Set out below is a comparison, by class, of the carrying amounts and fair value of the Bank's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying value		Fair value	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
Financial assets	₦'000	₦'000	₦'000	₦'000
Loans and advances to customers	47,327,664	34,249,099	47,327,664	34,249,099
Promissory notes	3,239,336	2,931,743	3,239,336	2,931,743
Investment securities - Held to maturity	9,718	3,394,151	9,718	3,394,151
	50,576,718	40,574,993	50,576,718	40,574,993
Financial liabilities				
Borrowings	**17,202,919**	**10,448,305**	**17,202,923**	**10,448,317**

		2014	2013
		₦'000	₦'000
7	Interest Income		
	Interest income on loans and advances	6,169,726	8,129,177
	Interest income on cash and cash equivalents	533,112	500,337
	Interest income on promissory notes	307,606	307,606
	Interest income on investment securities- Held to maturity	114,057	68,480
	Interest income accrued on impaired financial assets	62,358	35,534
		7,186,859	9,041,134



NOTES TO THE FINANCIAL STATEMENTS - Continued

		2014	2013
8	Interest expense		
	Interest expense on deposits from customers	3,938,662	3,400,205
	Interest expense on deposits from banks	126,310	538,111
	Interest expense on borrowings	452,434	269,692
		4,517,406	4,208,008
9	Net fee and commission income		
	Commission on turnover	98,677	178,155
	Administrative and processing fees	274,408	305,550
	Other fees and commissions	218,947	198,055
		592,032	681,760
	Fee and commission expense	(57,835)	(523,555)
		534,197	158,205

10 The Bank had gain on the disposal of non-current assets held for sale during the year as disclosed in note 11

		2014 ₦'000	2013 ₦'000
11	Other operating income		
	Foreign exchange gain	-	47,024
	Profit on disposal of property, plant and equipment	7,240	8,221
	Sundry income (note 11.1)	19,277	16,543
	Income from transactions documents and charges	38,927	37,632
	Gain on disposal of non-current assets held for sale	635,443	990,370
		700,887	1,099,790

11.1 Sundry income includes income from account closure charges, standing order charges and other miscellaneous income.

NOTES TO THE FINANCIAL STATEMENTS - Continued

12 Personnel expenses

	2014	2013
	₦'000	₦'000
Salaries and wages	1,992,283	2,011,522
Contribution to defined contribution plans	195,266	48,809
Other staff costs	-	2,643
	2,187,549	2,062,974

12.1 Employees

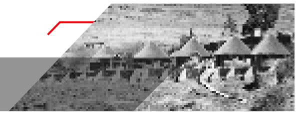
12.1.1 The number of employees excluding directors in receipt of emoluments excluding allowances and pension contributions within the following ranges were:

	2014	2013
	Number	Number
Below-N 300,000	120	163
N300,001 - N500,000	162	117
N500,001 - N1,000,000	160	206
N1,000,001 - N1,500,000	123	82
N1,500,001 - N2,500,000	17	12
N2,500,001 - N3,500,000	5	2
N3,500,001 - N4,500,000	2	3
above N4,500,000	8	9
	597	594

12.1.2 The average number of persons employed (excluding Directors) in the bank during the year is stated as follows:

2014	2013
Number	Number
597	594

The Increase in staff number was due to the net effect of staff exits and new recruitments during the year.



NOTES TO THE FINANCIAL STATEMENTS - Continued

13	Other operating expenses		
	Insurance premium	381,353	361,082
	Foreign exchange loss	28,728	-
	Occupancy cost	274,546	279,061
	Training	138,075	44,636
	General administrative (note 13.1)	1,719,642	939,542
	Information technology development levy (note 13.2)	-	6,127
	Acquisition related expenses (note 13.3)	112,279	-
		2,654,623	1,630,448

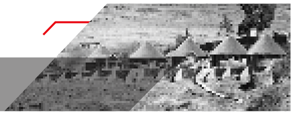
13.1	General administrative expenses are:		
	Professional fees	287,060	130,894
	Contract service	480,581	196,555
	Repairs and maintenance	244,934	129,883
	Advertisement and promotions	237,655	141,751
	Communications and stationeries	201,023	114,553
	Travelling	155,781	109,165
	Sundry office expenses	40,758	30,789
	Audit fee	40,000	40,000
	Directors emoluments	31,850	45,952
		1,719,642	939,542

NOTES TO THE FINANCIAL STATEMENTS - Continued

13.2 The Nigerian Information Technology Development Agency (NITDA) Act 2007 stipulates that, specified companies contribute 1% of their profit before taxation to the Nigerian Information Technology Development Agency. The Mortgage Bank made profit before tax during the year, therefore, it has provided for NITDA levy at the specified rate.

13.3 Acquistion-related expenses are fees paid to consultants for advisory and consultancy services rendered in the acquisition of Union Homes Savings and Loans Plc.

		2014 ₦'000	2013 ₦'000
14	Net impairment		
	Collective impairment charges on loans and advances (note 17.3)	1,462,848	335,705
	Specific impairment (reversal)/charges on loans and advances (note 17.2)	(2,049,983)	574,924
	Impairment charges on other assets (note 22.2)	735,474	466,585
		148,339	1,377,214
15	Income tax expense		
	Current tax expense		
	Company income tax (note 25)	44,606	-
	Education tax	8,925	-
	Minimum company income tax	-	43,984
	Under provision for prior period (note 25)	47,844	183,373
		101,375	227,357
	Deferred tax(benefit)/expense (note 25.1)	(63,371)	173,898
	Total Income Tax Expense	38,004	401,255
15.1	Reconciliation of effective tax rate		
	(Loss)/Profit before income taxation	(1,505,917)	608,764
	Income tax using the domestic corporation tax rate	(451,775)	182,629
	Minimum company income tax	-	43,984
	Non-deductible expenses	820,546	1,163,715
	Tax exempt income	(234,940)	(1,172,446)
	Capital allowance	(152,596)	-
	Education tax	8,925	-
	Under provision for prior period (note 25)	47,844	183,373
	Effective tax expense	38,004	401,255



NOTES TO THE FINANCIAL STATEMENTS - Continued

16	Cash and cash equivalents		
	Cash on hand	364,685	611,275
	Balances with local banks	989,740	1,982,768
	Short-term placements (note 16.1)	16,154,614	14,839,832
		17,509,039	17,433,875

16.1 Included in the placements is ₦15 billion placed with FCMB at 12.5% per annum (2013: ₦8 billion at 12.5% per annum) for 40 days from 31 December 2014 to 9 February 2015.

		2014 ₦'000	2013 ₦'000
17	Loans and advances to customers		
	Loans to individuals	12,235,891	26,639,174
	Loans to corporate entities and other organisations	38,900,206	12,005,493
		51,136,097	38,644,667
	Specific Impairment (note 17.2)	(1,830,841)	(3,880,824)
	Collective Impairment (note 17.3)	(1,977,592)	(514,744)
		47,327,664	34,249,099
17.1	Maturity profile		
	Within 12 months	27,726,797	23,003,137
	Above 12 months	23,409,300	15,641,530
		51,136,097	38,644,667
17.2	Impairment allowance on loans and advances		
	Specific Impairment		
	Balance, beginning of year	3,880,824	3,305,900
	(Reversal)/charge for the year (note 14)	(2,049,983)	574,924
	Balance, end of period	1,830,841	3,880,824
17.3	Collective impairment		
	Balance, beginning of year	514,744	991,310
	Impairment loss for the year:		
	Charge for the year (note 14)	1,462,848	335,705
	Write-offs	-	(812,271)
	Balance, end of year	1,977,592	514,744

NOTES TO THE FINANCIAL STATEMENTS - Continued

17.4 The Central Bank of Nigeria stipulates that provisions for loans recognised in the profit or loss account shall determined based on the requirements of IFRS. The IFRS provisions should be compared with provisions determin under prudential guidelines and the expected impact/changes in general reserve should be treated as follows:

17.4.1 Prudential Provisions is greater than IFRS provisions; transfer the difference from the retained earnings to a nc distributable regulatory reserve.

17.4.2 Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from t regulatory reserve account to the retained earnings to the extent of the non-distributable reserve previou recognised.

		2014 ₦'000	2013 ₦'000
17.5	Classification of loans and advances by category		
	Mortgage loans	15,250,428	21,000,072
	Commercial real estate financing	23,216,946	9,687,266
	Others	12,668,723	7,957,329
		51,136,097	38,644,667
17.6	Classification of loans and advances by Performance		
	Performing loan	49,416,369	29,963,619
	Non-performing loan	1,719,728	8,681,048
		51,136,097	38,644,667

NOTES TO THE FINANCIAL STATEMENTS - Continued

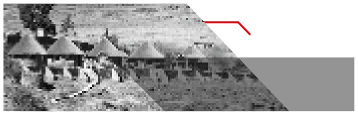
		2014 ₦'000	2013 ₦'000
17.7	Classification of Loans and Advances by Sector		
	Agriculture	1,593,135	1,332,403
	Real estate construction	23,216,946	10,115,446
	Education	169,141	179,489
	Healthcare	5,452	55,808
	Hospitality	93,496	103,275
	Mortgages	15,250,428	21,000,072
	Others	10,807,499	5,858,174
		51,136,097	38,644,667
17.8	Classification of Loans and Advances by Rating		
	A	44,321,954	31,682,668
	AA	1,334,178	1,323,391
	B	972,879	530,632
	BB	3,087,475	905,463
	BBB	443,195	2,514,349
	CCC	976,416	1,688,164
		51,136,097	38,644,667

17.9 The Bank holds N115.4 million (2013: ₦112 million) of deposits under Due to customers (refer to note 24.2) as collateral for credit facilities granted to customer. The Bank is obliged to return the collateral on full repayment of the facilities.

		2014 ₦'000	2013 ₦'000
18	Promissory notes (note 18.3)	3,239,336	2,931,730
18.1	Concentration by sector		
	Government	3,239,336	2,931,730
18.2	Concentration by location		
	Nigeria: North-Central	3,239,336	2,931,730

18.3 This represents promissory notes issued to the Bank by FMBN SPV Issuer Limited in respect of refinanced loans for the sale of Federal Government Houses. The promissory notes were issued at an interest rate of 10% per annum and is repayable over a period of 5 years. This is measured at amortised cost.

19 Investment securities



NOTES TO THE FINANCIAL STATEMENTS - Continued

Held-to-maturity:
Set out below, is the amortized cost of the Bank's Held-to-maturity financial instrument.

	Carrying Value 2014 ₦'000	Carrying Value 2013 ₦'000	Fair value 2014 ₦'000	Fair value 2013 ₦'000
Treasury bills	9,718	3,394,143	9,720	3,394,151
	9,718	3,394,143	9,720	3,394,151

20 Property, plant and equipment

	Land and buildings ₦'000	Plant & machinery ₦'000	Furniture & office equipment ₦'000	Computer equipment ₦'000	Motor vehicles ₦'000	Capital work - in – progress ₦'000	Total ₦'000
(a) Cost							
Balance at 01 January 2013	780,785	122,670	644,428	555,691	762,300	128,471	2,994,345
Additions	6,000	2,990	42,033	90,230	246,611	-	387,864
Reclassifications from capital work in progress	72,773	-	3,838	51,860	-	(128,471)	-
Transfer from non-current assets held for sale (note 23)	1,263,692	-	-	-	-	-	1,263,692
Disposals	-	(2,705)	(4,095)	(55,811)	(73,496)	-	(136,107)
Balance at 01 January 2014	2,123,250	122,955	686,204	641,970	935,415	-	4,509,794
Additions		3,164	7,341	26,915	156,580	-	194,000
Reclassification	3,835		(3,835)	-	-	-	-
Disposals	(1,850)	(6,392)	(13,132)	(28,392)	(224,290)	-	(274,056)
Balance at 31 December 2014	2,125,236	119,727	676,578	640,493	867,705	-	4,429,738
(b) Depreciation and Impairment losses							
Balance at 1 January 2013	125,501	73,736	450,274	422,656	420,776	-	1,492,943
Charge for the year	23,216	19,381	100,798	88,531	159,782	-	391,708
Disposals	-	-	-	(32,106)	(51,245)	-	(83,351)
Balance at 01 January 2014	148,717	93,117	551,072	479,081	529,313	-	1,801,300
Charge for the year	16,465	13,273	63,930	144,262	167,046	-	404,976
Disposals	(277)	(6,392)	(12,487)	(28,318)	(148,651)	-	(196,125)
Balance at 31 December 2014	164,905	99,998	602,515	595,025	547,708	-	2,010,151

NOTES TO THE FINANCIAL STATEMENTS - Continued

(c) Carrying amounts:

Balance as at 31 December 2014	1,960,331	19,729	74,063	45,468	319,997	-	2,419,587
	========	======	======	======	======	======	======
Balance as at 31 December 2013	1,974,533	29,838	135,132	162,889	406,102	-	2,708,492
	========	======	======	======	======	======	======

20.1 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the yea (31 December 2013: Nil). Also, there were no capital commitments as at reporting date in respect of items of property plant and equipment.

		2014 ₦'000	2013 ₦'000
21	Intangible assets		
	Cost		
	Beginning of year	488,180	484,505
	Additions	-	3,675
	Balance, end of year	488,180	488,180
	Amortisation		
	Balance, beginning of year	(470,422)	(450,409)
	Amortisation for the year	(14,967)	(20,013)
	Balance, end of year	(485,389)	(470,422)
		=======	=======
	Carrying amounts at the end of the year	2,791	17,758
		====	=======

21.1 The intangible asset represents computer software which was purchased from third parties.

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (31 Decemt 2013: Nil). Also, there were no capital commitments as at reporting date in respect of items of intangible assets.

	2014	2013

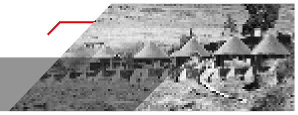
NOTES TO THE FINANCIAL STATEMENTS - Continued

		₦'000	₦'000
22	Other assets		
	Restricted balances with FMBN (note 22.4)	1,119	1,119
	Account receivable (note 22.5)	4,707,597	3,709,120
	Prepayments	359,483	436,816
	Estate development progress cost (note 22.6)	3,068,579	3,121,164
	Other receivables	3,483,895	2,748,421
	Deposit for investment in Nigerian Mortgage Refinance Company Limited	501,000	-
	Sundry assets	252,726	1,037,168
		12,374,400	11,053,808
	Specific impairment on other assets (note 22.2)	(3,483,895)	(2,748,421)
		8,890,505	8,305,387
22.1	Movement in other assets		
	Balance, beginning of year	8,305,387	3,539,262
	Transfer (to) / from non-current assets held for sale (notes 22.3 and 23)	-	2,075,469
	Additions	4,069,013	5,439,077
		12,374,400	11,053,808
	Specific impairment on other assets (note 22.2)	(3,483,895)	(2,748,421)
	Balance, end of year	8,890,505	8,305,387
22.2	Movement in impairment in other receivables		
	Balance, beginning for the year	2,748,421	2,281,836
	Charge for the year (note 14)	735,474	466,585
	Balance, end of the year	3,483,895	2,748,421

22.3 The transfer of payments to other assets in prior period represents advance payments for the purpose of land acquisition that were yet to be completed. The transfer out of other assets during the year represent transactions that were concluded and complete title documents received by the bank.

22.4 Restricted balance with FMBN represents cash reserve requirement with Federal Mortgage Bank of Nigeria (FMBN).

22.5 Account receivables include a sum of N1,782,500,604 as 31 December 2014 (31 December 2013: nill) advanced to Union Homes Savings & Loans Plc (Union Homes), a company that is being acquired by the bank, to enable it meet some operational expenses at no interest. Out of this balance, ₦150 million was repaid in January 2015 while the Board of Directors of Union Homes, vide a Board resolution dated 3 September 2015, approved a repayment plan in respect of the remainder of the advance. The balance of N2,925,096 (31 December 2013: ₦3,709,120,000) relates to amount receivable on the sale of properties .



NOTES TO THE FINANCIAL STATEMENTS - Continued

22.6 Estate development progress costs are payments made to date on properties for which various off-takers have made deposit as reported in note 26. This cost and deposits will be matched on conclusion of the transaction.

		2014 ₦'000	2013 ₦'000
22.7	Maturity profile of other assets		
	Current	4,967,591	4,427,708
	Non- current	3,922,914	3,877,679
		8,890,505	8,305,387
23	Non-current assets held for sale		
	Balance, beginning of year	18,082,236	20,133,320
	Additions	6,423,580	6,552,993
	Disposals (note 23.1)	(4,302,664)	(5,264,916)
	Transfer from property, plant and equipment (note 20)	-	(1,263,692)
	Transfer from/(to) other assets (note 22.1)	-	(2,075,469)
	Balance, end of the year	20,203,152	18,082,236

23.1 The non-current assets held for sale are real estate properties of the Bank which it has committed to dispose. The Bank is optimistic that these properties will be disposed off soon; as negotiations are ongoing with buyers. Some of these properties were disposed at ₦4.310 billion (2013 : ₦5.273 billion). The Central Bank of Nigeria (CBN), by a Circular reference number OFI/DIR/CIR/GEN/01/07 dated 11 October 2013 to all Primary Mortgage Banks in Nigeria directed all mortgage banks to commence the disposal of real estate properties in their books. The fair value less cost to sale of these properties is greater than the carrying value.

		2014 ₦'000	2013 ₦'000
24	Deposits from banks		
	Other deposits from banks	24,337	53,325
		24,337	53,325
24.1	Deposits from customers		
	Retail Customers:		
	Term deposits	4,053,319	3,044,723
	Demand deposits	3,044,965	3,437,937
	Savings	3,353,598	3,780,058
	Corporate customers:		
	Term deposits	20,463,426	19,754,503
	Current deposits	26,987,922	28,452,920

NOTES TO THE FINANCIAL STATEMENTS - Continued

	57,903,230	58,470,141

24.2 Included in deposits from customers is N115.4 million (2013: N112 million) which represents collateral on credit facilities granted to customers (refer to note 17.9). The Bank is obliged to return the collateral upon full repayments of the facilities.

		2014 ₦'000	2013 ₦'000
25	Current income tax liabilities		
	Balance, beginning of year	245,258	490,847
	Company current income tax expense (note 15)	44,606	43,984
	Education tax (note 15)	8,925	-
	Prior year under provision	47,844	183,373
	Payment during the year	(266,088)	(472,946)
	Balance, end of year	80,545	245,258
25.1	Movement in Deferred tax liabilities		
	Balance, beginning of year	(63,371)	110,527
	Movements:		
	Property, plant and equipment	63,371	(411,551)
	Allowance for loan losses	-	276,365
	Unrealised foreign exchange gain	-	(38,712)
		63,371	**(173,878)**
	Balance, end of year	**-**	**(63,371)**

25.2 Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future profits together with future tax planning strategies.

Deferred tax asset of ₦63.371 million was recognised to the extent that the Mortgage Bank has sufficient taxable temporary differences. The bank has deductible temporary difference of ₦1.246 billion to be offset against future taxable profits. However, no deferred tax assets was recognised due to the uncertainty about the availability of future taxable profits against for which deferred tax assets can be utilized.

NOTES TO THE FINANCIAL STATEMENTS - Continued

		2014 ₦'000	2013 ₦'000
	Deferred tax liabilities		
	Deferred tax are attributable to the following:		
	Property, plant and equipment	-	63,371
		-	63,371
26	Other liabilities		
	Accruals	43,768	41,012
	Liability for defined contribution scheme (note 26.1)	19,944	33,079
	Liability for defined benefits plans (note 26.2)	350,631	391,959
	Sundry liabilities	747,383	584,170
	Deposit for shares (note 26.4)	4,909,994	1,635,193
	Sale of Federal Government Houses accounts	4,328,257	3,065,339
	Deposits for properties by off-takers	8,464,450	5,371,663
	Accounts payable (note 26.5)	1,739,614	1,389,264
		20,604,041	12,511,679

26.1 Liability for defined contribution scheme

The Bank and its employees contributes a minimum of 10% and 8% respectively of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominal pension fund administrators. The amount represents sums payable to pension fund administrators of which Personal Identification Number (PIN) of affected employees has not been presented to effect the remittance.

26.2 Payables under terminated defined benefits plans

The scheme was discontinued effective from 31 December, 2012. The qualified employees as at the date of cessation will be paid exact amount standing to their credit as at 31 December 2012 on their exit from the services of the mortgage bank. This is payable as fund is available and not on retirement.

		2014 ₦'000	2013 ₦'000
26.3	Movement in discontinued defined benefit		
	Balance, beginning of year	391,959	452,518
	Additions	-	-
	Paid during the year	(41,328)	(60,559)
	Balance, end of year	350,631	391,959

26.4 Deposit for shares relates to amount received by the bank in respect of private placement during the year. The capital raising exercise was still ongoing as at year end.

NOTES TO THE FINANCIAL STATEMENTS - Continued

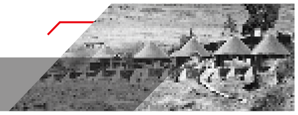
26.5 Account payable for the bank operational activities are non-interest bearing and are normally settled on demand by the Bank

27 Borrowings

	Carrying value 2014 ₦'000	Carrying value 2013 ₦'000	Fair Value 2014 ₦'000	Fair Value 2013 ₦'000
Borrowings				
Due to FMBN on NHF scheme (note 27.3)	1,525,567	1,340,344	1,525,567	1,340,344
Due to Shelter Afrique Limited (note 27.4)	-	88,098	-	88,098
Due to First City Monument Bank Limited (note 27.5)	15,677,352	9,019,863	15,677,352	9,019,863
	17,202,919	10,448,305	17,202,919	10,448,305

	2014 ₦'000	2013 ₦'000
Due to FMBN on NHF scheme (note 27.3)	1,525,567	1,340,344
Due to Shelter Afrique Limited (note 27.4)	-	88,098
Due to First City Monument Bank Limited (note 27.5)	15,677,352	9,019,863
	17,202,919	10,448,305
27.1 Movement in borrowings		
Balance, beginning of year	10,448,305	16,291,463
Additions during the year	15,185,223	9,147,070
Repayments during the year	(8,430,609)	(14,990,228)
Balance, end of year	17,202,919	10,448,305
27.2 Maturity profile of borrowings		
Current	15,818,932	9,241,010
Non- current	1,383,987	1,207,295
	17,202,919	10,448,305

27.3 The amount of ₦1.525 billion represent the outstanding balance on the on-lending facility obtained from the Federal Mortgage Bank of Nigeria (FMBN); the facility is disbursed to beneficiaries of the National Housing Fund (NHF). Effective Interest rate is 4% per annum, interest and principal are repayable monthly. The loans are disbursed to the Bank in 62 batches. The range of the maturity date of is between 21 August 2016 and 22 November 2029.



NOTES TO THE FINANCIAL STATEMENTS - Continued

28 Share Capital and reserves

28.1 Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Bank. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Bank.

	2014 ₦'000	2013 ₦'000
28.1.1 Authorised:		
20,000,000,000 ordinary shares of 50kobo each	10,000,000	10,000,000
	=======	=======
28.1.2 Issued and fully- paid up:		
Ordinary shares of 50kobo each	7,370,867	4,339,574
Issuance during the year (6,062,585,126 shares)	-	3,031,293
	-------------	-------------
14,741,733,802 ordinary shares of 50kobo each	7,370,867	7,370,867
	========	========

28.1.3 (Loss)/earnings per share

Basic loss/earnings per share is calculated by dividing the net (loss)/profit for the year attributable to ordinary equity holders of ASO Savings & Loans Plc. by the weighted average number of ordinary shares outstanding during the year. There are no dilutive potential ordinary shares.

The calculation of (loss)/earnings per share at 31 December 2014 was based on the loss/profit attributable to ordinary shareholders of ₦1,543,921,000 (31 December 2013: profit of ₦207,509,000) and an average number of ordinary shares outstanding of 14,741,733,802 (31 December 2013: 14,741,733,802), calculated as follows:

	2014	2013
Number of ordinary shares units	Unit ('000)	Unit ('000)
Issued share units	14,741,734	8,679,149
Additions during the year	-	6,062,585
	---------------	---------------
	14,741,734	14,741,734
	========	=========
(Loss)/profit attributable to ordinary shareholders (in ₦'000)	(1,543,921)	207,509
(Loss)/Earnings per share – basic and diluted (in kobo)	(10.47)	1.41

28.2 Other regulatory reserves

28.2.1 Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.11 of the Guidelines for Primary Mortgage Institutions, an appropriation of 20% of profit after tax is made if the statutory reserve is less than paid-up share capital and 10% of profit after tax if the statutory reserve is greater than

NOTES TO THE FINANCIAL STATEMENTS - Continued

the paid up share capital, subject to all identifiable losses being made good. Consequently, the Bank made no transfer to statutory reserves as at 31 December 2014. (31 December 2013: nil).

28.2.2 Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment on balance on loans and advances based on Central Bank of Nigeria prudential guidelines compared with the loss incurred model used in calculating the impairment balance under IFRS.

28.3 Retained earnings

Accumulated losses are the carried forward recognised income net of expenses plus current period loss/profit attributable to shareholders.

29 Contingencies

29.1 Claims and litigations

The Bank, in its ordinary course of business, is presently involved in 34 cases as a defendant and 22 cases as a plaintiff (2013: 19 cases as a defendant and 27 cases as a plaintiff). The total amount claimed in the 34 cases against the Bank is estimated at ₦963,530,501 (31 December 2013: ₦244,579,293). The Directors having sought the advice of professional legal counsel are of the opinion that based on the advice received, no significant liability will materialise from these cases. No provisions are therefore deemed necessary for these claims.

29.2 Contingent liabilities and commitments

In comparison with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2014 ₦'000	2013 ₦'000
29.3 Acceptances, bonds, guarantees and other obligations for the account of customers:		
These comprise:		
Bank Guarantees	-	1,352
Advance Payment Guarantees	403,365	48,978
Other commitments (note 29.4)	8,435,376	10,357,416
	8,838,741	10,407,746

29.4 The Bank entered into a quadripartite Mortgage Sales and Purchase Agreement in 2007 with FMBN SPV Mortgage Trustees Limited, First Trustees Nigeria Limited and FMBN SPV Funding Limited to assign all its rights, title and interest in certain mortgage loans given during the sale of Federal Government houses exercise to FMBN SPV Mortgages Trustees Limited at a consideration of full value of the loans at the transfer date. FMBN SPV Mortgages Trustees Limited appointed Aso Savings & Loans Plc as the administrator of loans for a fixed rate.

NOTES TO THE FINANCIAL STATEMENTS - Continued

30.1 Related party transactions

During the year, the Bank granted various credit facilities to related companies of Aso Savings & Loans Plc at the rates and terms comparable to other facilities in the Bank's portfolio. Loans and advances were granted at market rate. An aggregate of ₦11.383 billion (2013: ₦10.086 billion) was outstanding to the directors and related companies on these facilities at the end of the year. Details of these insider related credits are:

Related party loans as at 31 December 2014

Insider Related	Loan-Type	Account Name	Date of Facility	Original Expiry Date	Security/ Collateral Type	Performing	Interest Rate	Authorised Limit	Interest Receivable	Total Exposure
								₦	₦	₦
Directors	NHF Loans	HASSAN TANIMU MUSA USMAN	11/12/2007	12/22/2018	Real Estate	Performing	4.0%	5,000,000	2,066	2,068,094
Directors	Overdraft	MOHAMMED SHEHU	8/10/2014	2/6/2015	Otherwise	Performing	30.0%	180,000	-	173,087
Directors	Overdraft	JOHN OLATUNDE AYENI	3/24/2014	4/24/2014	Otherwise	Performing	30.0%	10,000,000	-	8,127,459
Directors	Retail Mortgages - Others	MAIKORI JOSHUA AUDU	8/28/2013	2/28/2018	Real Estate	Performing	5.0%	10,300,000	3,119	7,915,592
Directors	Retail Mortgages - Others	MAIKORI JOSHUA AUDU	6/28/2013	4/28/2018	Real Estate	Performing	18.5%	38,297,000	46,928	31,886,843
Directors	Staff Loan	MOHAMMED SHEHU	9/1/2008	1/2/2022	Real Estate	Performing	5.%	80,000,000	2,716,703	57,181,064
Directors	Staff Loan	MOHAMMED SHEHU	9/3/2008	10/22/2018	Real Estate	Performing	16.5%	72,000,000	180,203	43,865,721
Directors	Staff Loan	HASSAN TANIMU MUSA USMAN	7/27/2007	1/2/2021	Real Estate	Performing	5.0%	29,548,234	648,538	13,655,419
Directors	Staff Loan	ADEDIGBA ADEKUNLE DEMOLA	2/21/2014	2/22/2015	Otherwise	Performing	16.5%	6,000,000	4,844	1,076,356
Directors	Staff Loan	ADEDIGBA ADEKUNLE DEMOLA	2/26/2014	1/2/2029	Real Estate	Performing	5.0%	80,000,000	3,386,301	83,386,301
Directors Total								331,325,234	6,987,702	249,335,936
Director's Companies	Overdraft	OLUTOYL ESTATE DEV. AND SERV. LTD	8/10/2014	2/6/2015	Otherwise	Performing	36.0%	420,000	-	413,930
Director's Companies	Overdraft	FUNDS A ELECTRONIC TRANSFER SLT LTD	5/20/2013	8/20/2013	Otherwise	Performing	30.0%	30,000,000	-	5,538,196
Director's Companies	Term Loan	OLUTOYL ESTATE AND DEV. SERVICES	12/1/2014	2/28/2015	Otherwise	Performing	22.0%	105,456,539	1,970,448	107,426,987
Director's Companies	Term Loan	TEMPLE RESOURCES NIGEIRA LIMITED	8/8/2014	8/28/2016	Otherwise	Performing	27.0%	150,000,000	16,200,000	166,200,000
Director's Companies	Term Loan	FOURSTAR INDUSTRIES	10/31/2014	4/28/2015	Otherwise	Performing	20.0%	300,000,000	10,191,781	310,191,781
Director's Companies Total								585,876,539	28,362,229	589,770,894
Director's Wife	Retail Mortgages - Others	YEWANDE USMAN	7/18/2007	7/28/2017	Real Estate	Performing	20.0%	20,000,000	7,454	4,594,356
Director's Wife Total								20,000,000	7,454	4,594,356

NOTES TO THE FINANCIAL STATEMENTS - Continued

Related party loans as at 31 December 2014 - Continued

Insider Related	Loan-Type	Account Name	Date of Facility	Original Expiry Date	Security/ Collateral Type	Performing	Interest Rate	Authorised Limit ₦	Interest Receivable ₦	Total Exposure ₦
Related Company	Commercial Real Estate	AIDC PROJECT ACCOUNT 3	8/5/2013	9/17/2014	Real Estate	Performing	30.0%	151,354,920	-	2,290
Related Company	Commercial Real Estate	AIDC PROJECT ACCOUNT 3	9/1/2011	3/1/2014	Real Estate	Performing	0.0%	6,000,000,000	-	3,252,000,000
Related Company	Commercial Real Estate	AIDC PROJECT ACCOUNT 3	3/3/2014	11/29/2014	Real Estate	Performing	30.0%	6,000,000,000	-	6,886,447,956
Related Company	Commercial Real Estate	AIDC CALABAR PROJECT ACCOUNT	10/27/2011	1/9/2014	Real Estate	Non-performing	0.0%	607,021,325	-	26,277,400
Related Company Total								12,758,376,245	-	10,164,727,646
Ex-Directors	NHF Loans	JIBRIN MUHAMMED BARDE	7/24/2007	6/28/2031	Real Estate	Performing	4.0%	4,989,632	1,305	3,917,296
Ex-Directors	NHF Loans	JIBRIN MUHAMMED BARDE	7/24/2007	6/28/2037	Real Estate	Performing	4.0%	2,995,678	850	2,549,381
Ex-Directors	NHF Loans	KUDI BADMUS	7/21/2007	4/28/2030	Real Estate	Performing	6.0%	4,991,013	1,907	3,996,161
Ex-Directors	NHF Loans	PETER LONGE	6/30/2014	6/28/2021	Real Estate	Performing	6.0%	13,300,000	8,233	13,347,496
Ex-Directors	Overdraft	MAIMUNA SANDA ALIYU	8/8/2014	2/4/2015	Otherwise	Non-performing	30.0%	17,000,000	-	16,140,068
Ex-Directors	Overdraft	AKIN-ADARAMOLA CHARLES	8/19/2014	2/15/2015	Otherwise	Performing	30.0%	7,400,000	-	7,368,816
Ex-Directors	Overdraft	ABDULLAHI BAPPAH AHMED	8/9/2014	2/5/2015	Otherwise	Performing	30.0%	330,000	-	326,084
Ex-Directors	Overdraft	MIRI GODFREY O.S	8/7/2014	2/3/2015	Otherwise	Performing	2.0%	5,700,000	-	5,664,976
Ex-Directors	Overdraft	PETER LONGE	8/11/2014	2/7/2015	Otherwise	Performing	30.0%	1,500,000	-	1,438,598
Ex-Directors	Retail Mortgages – Others	MAIMUNA SANDA ALIYU	2/23/2012	2/22/2027	Real Estate	Performing	16.5%	40,000,000	143,000	40,148,333
Ex-Directors	Retail Mortgages – Others	ABDULLAHI BAPPAH AHMED	3/11/2009	12/28/2023	Real Estate	Performing	5.0%	20,000,000	5,807	13,941,878
Ex-Directors	Retail Mortgages – Others	TIJJANI MOHAMMED ABDULLAHI	6/16/2008	12/25/2022	Real Estate	Performing	5.0%	28,639,101	11,142	13,382,049
Ex-Directors	Retail Mortgages – Others	KUDI BADMUS	12/20/2012	12/28/2014	Real Estate	Performing	30.0%	7,900,000	-	4,891,925
Ex-Directors	Staff Loan	MAIMUNA SANDA ALIYU	4/6/2009	1/2/2024	Real Estate	Performing	22.0%	81,857,657	12,205,000	70,339,428
Ex-Directors Total								236,603,081	12,377,244	197,452,469
Ex-Director's Companies	Commercial Mortgages	XPRESS THOTS LIMITED	2/20/2014	8/28/2020	Real Estate	Performing	22.0%	140,675,349	2,882,881	166,523,082
Ex-Director's Companies	Overdraft	STEREB (NIG)LTD	8/26/2014	2/22/2015	Otherwise	Performing	2.0%	2,200,000	-	2,144,428
Ex-Director's Companies	Overdraft	ECOSENSE VENTURES LTD	8/26/2014	2/22/2015	Otherwise	Performing	2.0%	8,800,000	-	8,791,134
Ex-Director's Companies Total								151,675,349	2,882,881	177,458,644
Grand Total								14,083,858,448	50,617,510	11,383,339,944

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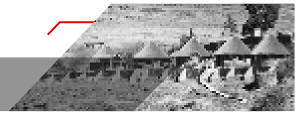

NOTES TO THE FINANCIAL STATEMENTS - Continued

Related party loans as at 31 December 2013

Insider Related	Loan-Type1	Account Name	Date of Facility	Original Expiry Date	Security/ Collateral Type	Performing Status	Interest Rate	Authorised Limit	Interest Recievable	Total Exposure
								₦	₦	₦
Directors	NHF Loans	HASSAN TANIMU MUSA USMAN	11/12/2007	12/22/2018	Real Estate	Performing	4.0%	5,000,000	2,533	2,535,528
Directors	Retail Mortgages - Others	MAIKORI JOSHUA AUDU	8/28/2013	2/28/2018	Real Estate	Performing	5.0%	10,300,000	4,006	9,976,239
Directors	Retail Mortgages - Others	MAIKORI JOSHUA AUDU	8/28/2013	4/28/2018	Real Estate	Performing	18.5%	38,297,000	56,283	36,564,126
Directors	Staff Loan	HASSAN TANIMU MUSA USMAN	7/27/2007	1/2/2021	Real Estate	Performing	5.0%	29,548,234	724,398	15,252,711
Directors	Staff Loan	MOHAMMED SHEHU	9/1/2008	1/2/2022	Real Estate	Performing	5.0%	80,000,000	2,986,554	62,884,021
Directors	Staff Loan	MOHAMMED SHEHU	9/3/2008	10/22/2018	Real Estate	Performing	16.5%	72,000,000	211,360	51,450,131
Directors Total								235,145,234	3,985,134	178,662,756
Director's Companies	Overdraft	FUNDS & ELECTRONIC TRANSFER SLT LTD	5/20/2013	8/20/2013	Otherwise	Non-Performing	30.0%	30,000,000	-	23,239,908
Director's Companies	Overdraft	OLUTOYL ESTATE DEV. AND SERV. LTD	6/19/2008	7/1/2008	Otherwise	Performing	30.0%	-	-	148,238
Director's Companies	Overdraft	XPRESS THOTS LIMITED	10/10/2012	10/10/2013	Otherwise	Performing	30.0%	34,800,000	-	40,725,101
Director's Companies	Term Loan	COOL BLUE LIMITED	10/10/2012	10/10/2013	Otherwise	Non-Performing	30.0%	-	-	27,382,764
Director's Companies	Term Loan	OLUTOYL ESTATE AND DEV. SERVICES	8/27/2013	8/28/2014	Otherwise	Performing	22.0%	100,000,000	1,553,139	104,050,970
Director's Companies Total								164,800,000	1,553,139	195,546,981
Director's Wife	Retail Mortgages – Others	YEWANDE USMAN	7/18/2007	7/28/2017	Real Estate	Performing	19.5%	20,000,000	9,476	5,840,876
Director's Wife Total								20,000,000	9,476	5,840,876
Ex-Directors	NHF Loans	JIBRIN MUHAMMED BARDE	7/24/2007	6/28/2031	Real Estate	Performing	4.0%	4,989,632	1,360	4,145,524
Ex-Directors	NHF Loans	JIBRIN MUHAMMED BARDE	7/24/2007	6/28/2037	Real Estate	Performing	4.0%	2,995,678	872	2,660,960
Ex-Directors	NHF Loans	KUDI BADMUS	7/21/2007	4/28/2030	Real Estate	Performing	4.0%	4,991,013	1,329	4,071,826
Ex-Directors	Overdraft	ABDULLAHI BAPPAH AHMED	8/8/2014	2/5/2015	Otherwise	Performing	30.0%	-	-	498,880
Ex-Directors	Overdraft	AKIN-ADARAMOLA CHARLES	8/19/2014	2/15/2015	Otherwise	Performing	30.0%	-	-	7,368,816
Ex-Directors total carried forward								12,976,323	3,561	18,746,009

NOTES TO THE FINANCIAL STATEMENTS - Continued

Related party loans as at 31 December 2013 – Continued

Insider Related	Loan-Type	Account Name	Date of Facility	Original Expiry Date	Security/ Collateral Type	Performing	Interest Rate	Authorised Limit	Interest Receivable	Total Exposure
								₦	₦	₦
Ex-Directors total brought forward								12,976,323	3,561	18,746,006
Ex-Directors	Overdraft	JIBRIN MUHAMMED BARDE	7/24/2007	6/28/2037	Otherwise	Performing	30.0%	-	-	67,562
Ex-Directors	Overdraft	MIRI GODFREY O.S	8/7/2014	2/3/2015	Otherwise	Performing	30.0%	-	-	5,542,175
Ex-Directors	Overdraft	PETER LONGE	8/11/2014	2/7/2015	Otherwise	Performing	30.0%	-	-	243,158
Ex-Directors	Overdraft	TIJJANI MOHAMMED ABDULLAHI	6/16/2008	12/25/2022	Otherwise	Performing	30.0%	-	-	156,836
Ex-Directors	Retail Mortgages - Others	ABDULLAHI BAPPAH AHMED	3/11/2009	12/28/2023	Real Estate	Performing	5.0%	20,000,000	6,305	15,138,984
Ex-Directors	Retail Mortgages - Others	KUDI BADMUS	12/20/2012	12/28/2014	Real Estate	Performing	15.0%	7,900,000	5,322	5,070,769
Ex-Directors	Retail Mortgages - Others	MAIMUNA SANDA ALIYU	2/23/2012	2/22/2027	Real Estate	Performing	0.0%	40,000,000	-	37,333,333
Ex-Directors	Retail Mortgages - Others	PETER LONGE	4/12/2011	4/22/2026	Real Estate	Performing	5.0%	81,418,032	290,343	70,940,421
Ex-Directors	Retail Mortgages - Others	TIJJANI MOHAMMED ABDULLAHI	6/16/2008	12/25/2022	Real Estate	Performing	5.0%	28,639,101	12,248	15,197,364
Ex-Directors	Staff Loan	KUDI BADMUS	7/21/2007	1/3/2014	Real Estate	Performing	22.0%	19,946,790	338,855	338,857
Ex-Directors	Staff Loan	MAIMUNA SANDA ALIYU	4/6/2009	1/2/2024	Real Estate	Performing	5.0%	81,857,657	3,118,129	65,654,417
Ex-Directors	Staff Loan	PETER LONGE	1/3/2013	1/22/2014	Otherwise	Performing	16.5%	3,000,000	1,120	272,634
Ex-Directors Total								295,737,903	3,775,883	234,702,516
Ex-Director's Companies	Overdraft	ECOSENSE VENTURES LTD	8/26/2014	2/22/2015	Otherwise	Performing	30.0%	-	-	9,331,283
Ex-Director's Companies	Overdraft	STEREB (NIG.) LTD	8/26/2014	2/22/2015	Otherwise	Performing	30.0%	-	-	2,144,428
Ex-Director's Companies Total								-	-	11,475,711
Related Company	Commercial Real Estate	AIDC CALABAR PROJECT ACCOUNT	10/27/2011	1/9/2014	Real Estate	Performing	30.0%	607,021,325	-	26,527,302
Related Company	Commercial Real Estate	AIDC PROJECT ACCOUNT 3	9/1/2011	3/1/2014	Real Estate	Performing	24.0%	6,000,000,000	3,012,000,000	9,012,000,000
Related Company	Commercial Real Estate		8/5/2013	2/5/2017	Real Estate	Performing	20.0%	151,354,920	2,037,127	143,069,029
Related Company	Overdraft	AIDC PROJECT ACCOUNT - AUMTCO	3/4/2013	3/5/2013	Otherwise	Performing	0.0%	-	-	278,404,780
Related Company Total								**6,758,376,245**	**3,014,037,127**	**9,460,001,111**
Grand Total								**7,474,059,382**	**3,023,360,759**	**10,086,229,951**

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NOTES TO THE FINANCIAL STATEMENTS - Continued

30.2 Directors' remuneration

30.2.1 Directors' remuneration excluding pension contributions and certain benefits is provided as follows:

	2014	2013
	₦'000	₦'000
Fees as directors	19,000	14,750
Other allowances	12,850	10,550
Directors' emoluments	31,850	25,300
Executive compensation	18,600	21,585
	50,450	46,885
The directors' remuneration shown above includes:		
The Chairman	5,000	4,750
Highest paid Director	7,500	7,500

30.2.2 The emoluments of all other directors fell within the following ranges:

	Number	Number
N 2,000,001- N 4,000,000	-	1
Above N 4,000,000	8	7

Please refer to the Board remuneration in corporate governance report for details on the fixing of Directors' remuneration

30.3 Key management transactions	2014 ₦'000	2013 ₦'000
30.3.1 Loans and advances:		
Secured loans	362,703	371,193
Other loans	9,153	17,084
	371,856	388,277
30.3.2 Deposit liabilities		
Deposits	6,632	11,085
30.3.3 Key management personnel compensation for the year comprises:		
Short-term employee benefits	244,842	231,851
Post-employment benefits	4,725	85,509
	249,567	317,360

NOTES TO THE FINANCIAL STATEMENTS - Continued

31. Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

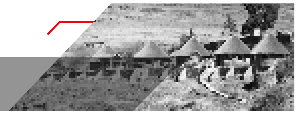
The Mortgage Bank's activities are concentrated in one geographic region. The Mortgage Bank's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Mortgage Bank's internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	2014 ₦'000	2013 ₦'000
Revenue from external customers in Nigeria	8,421,943 =======	10,299,129 ========

The Bank does not have any major customer that amount to 10% or more of the revenue

Non- current operating assets in Nigeria	22,625,530 =======	20,808,486 ========

Non-current assets for this purpose consist of property, plant and equipment, investment properties and intangible assets



31 Financial risk management

(a) Introduction and overview

The Mortgage Bank has exposure to the following risks from its use of financial instruments:

(i) credit risk;
(ii) liquidity risk; and
(iii) market risks

This note presents information about the Mortgage Bank's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risks, and the Mortgage Bank's management of capital.

Risk management framework

The Mortgage Bank's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation.

The Board of Directors and Management are committed to establishing and sustaining tested practices in risk management at par with leading international banks. For these purposes, the Board has established a centralized Risk Management and Compliance Division, with responsibility to ensure that the risk management processes are implemented in compliance with policies approved by the Board of Directors.

The Board of Directors determines the Mortgage Bank's goals in terms of risk by issuing a risk policy. The policy both defines acceptable levels of risk for day-to-day operations, as well as the willingness of the Bank to incur risk, weighed against the expected rewards. The risk policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and managing these risks proactively in a cost effective manner. It is a top-level integrated approach Specific policies are also in place for managing risks in the different risk areas of credit, market, liquidity and operational risks.

The evolving nature of Risk Management practices and the dynamic character of the banking industry necessitate regular review of the effectiveness of each enterprise risk management component. In the light of this, the Mortgage Bank's Enterprise Risk Management Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways:

a) Continuous self-evaluation and monitoring by the Risk Management and Compliance Division in conjunction with Internal Audit; and

b) Independent evaluation by external auditors, examiners or consultants.

NOTES TO THE FINANCIAL STATEMENTS - Continued

The Group Head, Enterprise Risk Management has the primary responsibility for risk management and for the review of the ERM Framework. All amendments to the Mortgage Bank's Enterprise Risk Management Framework require Board approval.

The Risk Management division has the responsibility to enforce the risk policy of the Mortgage Bank by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary. To ensure that the decision-making process within the Mortgage Bank is regulated and that the boundaries set by the Board of Directors and regulatory authorities are complied with, Risk Management regularly reviews and reports risk exposures, usage of limits and any special concerns to senior management and the Board of Directors.

The Risk Management Framework is divided into three functional departments: Credit Risk Management, Market Risk Management and Operational Risk Management.

c) Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

31 Financial risk management - Continued

Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to
focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(i) Credit risk management

Credit risk is the risk of financial loss to the Mortgage Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Mortgage Bank's loans and advances to
customers and other banks and investment securities. For risk management reporting purposes, the Mortgage Bank considers and consolidates all elements of credit risk exposure. For risk management purposes, credit risk arising on trading assets is managed independently; and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in note 29(d) below.

NOTES TO THE FINANCIAL STATEMENTS - Continued

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee. The Enterprise Risk Management Group, reporting to the Board Credit Committee, is responsible for management of the Mortgage Bank's credit risk, including:

a) Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

b) Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require Directors as appropriate.

c) Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

d) Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

e) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement the Mortgage Bank's credit policies and procedures, with credit approval authorities delegated from the Board Credit Committee. Each business unit has a Credit Risk officer who reports on all credit related matters to the Group Head, Enterprise Risk Management. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

	Notes	Loans and advances to customers 31 December 2014 ₦'000	31 December 2013 ₦'000
Carrying amount	Note 16	47,327,664	34,249,099
Assets amortised at cost			
Individually Impaired:			
Grade 7-8: Impaired		1,065,746	7,041,506
Grade 9-10: Impaired		7,888,038	1,642,886
Gross amount		8,953,784	8,684,392
Allowance for impairment		(1,830,841)	(3,880,824)
Carrying amount		7,122,943	4,803,568
Collectively Impaired:			
Grade 1-3: Low-fair risk		40,692,841	29,725,856
Grade 4-6: Watchlist		1,489,472	234,419
Gross amount		42,182,313	29,960,275
Allowance for impairment		(1,977,592)	(514,744)
Carrying amount, net of allowance		40,204,721	29,445,531
Total carrying amount, net of allowance for impairment		**47,327,664**	**34,249,099**

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

Maximum exposure
31 December 2014

	Maximum Exposure ₦'000	Collateral held Property ₦'000	Cash ₦'000	Others ₦'000	Net Collateral ₦'000	Net exposure ₦'000
Loans and Advances to Customers:						
Commercial Mortgage	5,159,554	10,888,148	-	-	10,888,148	(5,728,594)
Commercial Real Estate	22,287,985	54,308,530	-	-	54,308,530	(32,020,544)
Residential Mortgage	9,089,365	23,256,134	-	-	23,256,134	(14,166,768)
Small Business Lending	1,605,803	4,500,610	99,100		4,599,710	(2,993,907)
Corporate Lending	9,184,956	13,914,202	16,300	-	13,930,502	(4,745,546)
Gross Total	47,327,664	106,867,623	115,400	-	106,983,023	(59,655,359)
Investment Securities:						
HTM Treasury bills	9,718	-	-	-	-	9,718
Gross Total	9,718	-	-	-	-	9,718
Cash and Cash equivalents	17, 359,742	-	-	-	-	17, 359,742
Gross Total	17,359,742	-	-	-	-	17, 359,742
Promissory notes	3,239,336	-	-	-	-	3,239,336
Gross Total	3,239,336	-	-	-	-	3,239,336
	67,936,460	**106,867,623**	**115,400**	**-**	**106,983,023**	**(56,406,305)**

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

31 December 2013

	Maximum Exposure	Collateral held Property	Collateral held Cash	Others	Net Collateral	Net exposure
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Loans and Advances to Customers:						
Commercial Mortgage	3,667,632	6,680,800	-	-	6,680,800	(3,013,168)
Commercial Real Estate	15,438,284	14,556,708	-	-	14,556,708	881,576
Residential Mortgage	9,387,340	19,165,948	-	-	19,165,948	(9,778,608)
Others	5,755,843	11,005,139	112,000	-	11,117,139	(5,361,296)
Gross Total	34,249,099	51,408,595	112,000	-	51,520,595	(17,271,496)
Investment Securities:						
HTM Treasury bills	3,394,143	-	-	-	-	3,394,143
Gross Total	3,394,143	-	-	-	-	3,394,143
Cash and Cash equivalents	17,130,143	-	-	-	-	17,130,143
Gross Total	17,130,143	-	-	-	-	17,130,143
Promissory notes	2,931,730	-	-	-	-	2,931,730
Gross Total	2,931,730	-	-	-	-	2,931,730
	57,705,115	**51,408,595**	**112,000**	**-**	**51,520,595**	**6,184,520**

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Mortgage Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).
At each reporting date the Bank reviews its financial instruments (e.g. loans and advances) to ascertain whether objective evidence of impairment exists for the financial instruments. The following factors are considered:

- Significant financial difficulty of the customer
- Payment defaults (interest and/or principal)
- Renegotiation of the terms of loans and advances due to the financial difficulty of the customer
- Significant restructuring of the customers' business due to financial difficulty or expected bankruptcy
- Exposures to customers' in the troubled sector e.g. capital market operators due to crash in the prices of shares listed on the floor of the Nigerian Stock Exchange
- A significant drop in customers' credit ratings
- Other observable data or information indicating that there is a measurable decrease in the estimated future cash flows obtainable from loan customers.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Mortgage Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Mortgage Bank.

Allowances for impairment

The Mortgage Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for group of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Mortgage Bank writes off a loan/security balance (and any related allowances for impairment losses) when Credit unit determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write off decisions are generally based on a product specific past due status. Write-off of loans/security balance that is less than ₦5,000,000 is subject to the approval of the Executive Director, Finance, while balance of ₦5,000,000 and above is subject to the ratification of the Board of Directors.

Credit Rating / Scoring

The Bank has in place an internal rating policy / model and conducts internal credit ratings for all counter parties/ obligors and sectors. In measuring credit risk of loans and advances to customers the following components are considered:

- Character and capacity of the obligor to pay or meet contractual obligations.
- Current exposures to the counter party / obligor and its likely future developments.
- Credit history of the counter party/ obligor.
- The likely recovery ratio in case of default obligations - value of collateral / alternatives.
- All other obligor / transaction attributes that are predictive of default.

31 Financial risk management -Continued

Credit ratings / scoring form part of the Bank's loan application process, thus all prospective customers are rated during the credit underwriting process. Customer ratings/scores expire after 6months, thereafter, becomes invalid and a new rating required. This ensures that changes in the behavioural characteristic of the customer / customers' businesses are captured and reflect in the ratings / scores.
The Bank adopts the following measurement system for credit customer:

- Credit Risk Rating System (for rating obligors with reliable financial statements).
- Scoring System for individuals and SMEs (small and medium enterprise).

CREDIT SCORING / RATING APPLICATION
A customized credit rating / scoring application - SCORE SMART is used in-house to conduct internal credit ratings / scoring for all credit customers.

Scoring Model
The Bank's credit scoring model of SCORE SMART application summarizes available and relevant information compiled from customers' loan applications and reduces the information into a set of ordered categories (scores) that foretell

an outcome. The model comprises weights applied on different variables (or attributes) that are predictive of default. These parameters are further described below. **The sum of the weights applied to the variables for a customer constitutes the credit score. A consumer's score is a numerical snapshot of the estimated risk profile at that point in time.**

The credit scoring model is primarily used for management decision making and to provide predictive information on the potential for delinquency or default that may be used in the loan approval process and risk pricing.

2 basic types of credit rating / scoring are done:

- **Application Scoring**
  Application scoring involves assigning point values to predictive variables on an application before making credit approval decisions. Only the information available at the time of underwriting and reported in an application forms are utilized. Application scores help determine the credit's terms and conditions.

- **Behavior Scoring**
  Behaviour scoring involves assigning point values to internally-derived information such as payment behaviour, usage pattern, and delinquency history. It involves updating the assessment of credit risk in the light of the current and most recent performance of the consumer. Information available at the time of underwriting as well as any information that changes or becomes available subsequent to the account's approval is utilized.

The Rating System Grid

The rating grid has a minimum of Ten (10) risk buckets to provide an objective basis for making credit decisions. Each risk bucket denotes numerically or alphabetically as follows:

Description	Rating Bucket		Range of Scores
Extremely Low Risk	AAA	1.00 - 1.99	90 - 100%
Very Low Risk	AA	2.00 - 2.99	80 - 89%
Low Risk	A	3.00 - 3.99	70 - 79%
Acceptable Risk	BBB	4.00 - 4.99	60 - 69%
Moderate High Risk	BB	5.00 - 5.99	50 - 59%
High Risk	B	6.00 - 6.99	40 - 49%
Very High Risk	CCC	7.00 - 7.99	30 - 39%
Very High Risk	CC	8.00 - 8.99	20 - 29%

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

Description	Rating Bucket		Range of Scores
Extremely High Risk	C	9.00 - 9.99	1 -19%
Default	D	10	

The first four are considered investment grades and as such acceptable to the Bank. The next five are non-investment grades. Granting loan facilities to such customers require Executive Management or Board approval as appropriate. The last rating class is the default class and no loan is granted to the default class.

Risk Rating Parameters

The key attributes of an applicant and aspects of the transaction are used in the Bank's credit rating / scoring model to determine if an applicant is creditworthy. These are categorized into different sets of parameter as they relate to the following customer type:

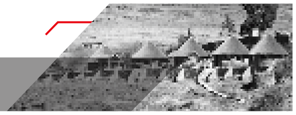
- Corporate Businesses (with financial statement)
- Small and Medium Business Enterprises
- Individuals

Corporate Businesses (with financial statement)

The following parameters are considered in determining the risk rating for corporate businesses:

- **Industry Risk Parameters**
  - ✓ Environmental factors
  - ✓ Size and strategic importance
  - ✓ Industry financial consideration
  - ✓ Industry sensitivity to interest rate, inflation, exchange rate, regulatory changes and
  - ✓ Competition
  - ✓ Future growth prospects
  - ✓ Target Market

- **Obligor Risk (Non-Financial)**
  - ✓ Position in the industry
  - ✓ Competitive environment
  - ✓ Shareholders' support
  - ✓ Management's competence, operations, marketing and finance
  - ✓ Distributors /suppliers network



NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

Retail and Consumer Scoring Parameters - Small and Medium Business Enterprises
The following parameters are considered in determining the credit scoring for small businesses:

- ✓ Age of key man
- ✓ Succession plan and ownership for small businesses
- ✓ Experience in business and annual turnover for small businesses
- ✓ Length of relationship with the Bank
- ✓ Collateral Coverage, Liquidity & Marketability
- ✓ Business Profitability
- ✓ Number of Employees
- ✓ No of Years in Business
- ✓ Business Growth Potential
- ✓ Types products Offering
- ✓ Business Sector
- ✓ Collateral Type
- ✓ Repayment Capacity
- ✓ Credit records
- ✓ Relationship with Executive Management
- ✓ Political Inclination, etc.

Retail and Consumer Scoring Parameters - Individuals
The following parameters are used for obtaining the risk score for individuals:

- ✓ Age
- ✓ Marital Status
- ✓ Number of Dependents
- ✓ Educational qualification
- ✓ Employment Status
- ✓ Time with present employer
- ✓ Length of relationship with the Bank
- ✓ Annual income
- ✓ Collateral Coverage, Liquidity & Marketability.
- ✓ Debt Service Ratio
- ✓ Repayment Capacity
- ✓ Credit checks
- ✓ Relationship with Executive Management
- ✓ The political profile of the obligor
- ✓ Business Sector
- ✓ Collateral Type

- ✓ Repayment Sources
- ✓ Loan History
- ✓ No of Service Years, No of Years in Business, etc.

Credit collateral

The Mortgage Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2014.

31 Financial risk management -Continued

Credit concentrations

The Mortgage Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date as at 31 December is shown for the years below:

	Loans and advances to customers		Investment securities		Promisory notes		Cash with banks	
	2014	2013	2014	2013	2014	2013	2014	2013
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Gross amount	51,136,097	38,644,667	9,718	3,394,143	3,239,336	2,931,730	17,359,742	17,130,143
	=========	========	====	=======	=======	=======	=======	=======
Concentration by sector:								
Agriculture	1,593,135	1,332,403	-	-	-	-	-	-
Real estate construction	23,216,946	17,010,062	-	-	-	-	-	-
Education	169,141	179,489	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	17,359,742	17,130,143
Healthcare	5,452	55,808	-	-	-	-	-	-
Hospitality	93,496	103,275	-	-	-	-	-	-
Mortgages	15,250,428	14,105,456	-	-	-	-	-	-
Others	10,807,499	5,858,174	-	-	-	-	-	-
Public sector	-	-	9,718	3,394,143	3,239,336	2,931,730		
	51,136,097	38,644,667	9,718	3,394,143	3,239,336	2,931,730	17,359,742	17,130,143
	=========	========	====	=======	=======	=======	=========	=========
Concentration by location Nigeria:								
North-Central	46,159,203	34,224,038	9,718	105,815	3,239,336	2,931,730	358,687	528,528
North-West	601,511	248,999		-	-	-	20,102	19,285
South-South	436,374	246,196		-	-	-	2,050	13,771
South-West	3,939,009	3,925,434		3,288,329	-	-	16,978,903	16,568,559
	51,136,097	38,644,667	9,718	3,394,144	3,239,336	2,931,730	17,359,742	17,130,143
	=========	========	====	=======	=======	=========	=======	=======

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

Credit concentrations continued

Concentration by location for loans and advances is measured based on the location of the Mortgage Bank entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities and promisory notes is measured based on the location of the issuer of the security. Concentration for cash and cash equivalent is based on the on the location of the financial institutions.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Bank's liquidity management process is primarily the responsibility of the Risk Management and Investment Committee.

(a) Management of liquidity risk

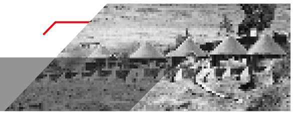
The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between the Bank's assets and liabilities. The monitoring process focuses on funding portfolios, the forward Balance Sheet and general indicators. Where relevant, information and data are compared against limits that have been established.

The Bank's Treasury unit is responsible for maintaining sufficient liquidity by maintaining sufficient high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure is calculated and monitored by Risk Management.

Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Bank. Other general indicators are monitored in the marketplace, including credit spreads, credit default swap spreads, credit rating watch status and market news. Liquidity risk is reported to the Board of Directors on a quarterly basis.

- **Exposure to liquidity risk**

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks and customers, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Nigeria). Details of the reported Bank ratio of net liquid assets to deposits and customers at the reporting period were as follows:



NOTES TO THE FINANCIAL STATEMENTS - Continued

Net Liquid assets to customer liability

	31 December 2014	31 December 2013
At the end of the year	5%	22%
Average for the year	13%	16%

31 Financial risk management -Continued

(f) Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December 2014 and 31 December 2013

31 December 2014	Carrying Amount ₦'000	Gross nominal inflow/outflow Amount ₦'000	Less than 3 months ₦'000	3 - 6 months ₦'000	6 - 12 months ₦'000	Over 1 year ₦'000
Financial assets						
Cash and cash equivalents	17,509,038	17,750,593	17,750,593	-	-	-
Loans and advances	47,327,664	51,136,097	25,534,749	1,327,274	864,773	23,409,300
Investment securities - Held to Maturity	9,718	10,000	-	10,000	-	-
Promissory notes	3,239,336	3,946,409	-	-	-	3,946,409
Restricted balance with FMBN	1,119	1,119	-	-	-	1,119
Account receivable	4,707,597	4,707,597	-	-	4,707,597	-
	72,794,472	77,551,815	43,285,342	1,337,274	5,572,370	27,356,828
Financial liabilities						
Deposits from banks	24,337	25,102	25,102	-	-	-
Deposits from customers	57,903,230	58,131,946	34,718,863	8,619,563	7,719,820	7,073,700
Account payable	1,739,614	1,748,878	-	-	1,748,878	-
Borrowings	17,202,919	17,494,762	15,418,057	189,337	354,798	1,532,270
	76,870,100	77,400,688	50,162,022	8,808,900	9,823,496	8,605,970
Net undiscounted financial assets/(liabilities)	**(4,075,628)**	**151,127**	**(6,876,680)**	**(7,471,626)**	**(4,251,126)**	**18,750,858**

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

31 December 2013	Carrying Amount N'000	Gross nominal inflow/outflow Amount N'000	Less than 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	Over 1 year N'000
Financial assets						
Cash and cash equivalents	17,130,143	17,611,691	17,611,691	-	-	-
Loans and advances	34,249,099	34,250,201	15,781,647	1,110,282	2,437,122	14,921,150
Investment securities - Held to Maturity	3,394,143	3,610,000	1,510,000	100,000	2,000,000	-
Promissory notes	2,931,730	3,946,409	-	-	-	3,946,409
Restricted balance with FMBN	1,119	1,119	-	-	-	1,119
Account receivable	3,709,120	3,409,020	-	-	3,409,020	-
	61,415,354	62,828,440	34,903,338	1,210,282	7,846,142	18,868,678
Financial liabilities						
Deposits from banks	53,325	53,625	53,625	-	-	-
Deposits from customers	58,470,141	58,688,006	34,929,132	8,746,867	7,833,834	7,178,173
Account payable	1,389,264	1,389,264	-	-	1,389,264	-
Borrowings	10,448,305	10,468,605	8,023,836	88,098	-	2,356,371
	70,361,035	70,599,500	43,006,593	8,834,965	9,223,098	9,534,544
Net undiscounted financial assets/(liabilities)	**(8,945,681)**	**(7,771,060)**	**(8,103,255)**	**(7,624,683)**	**(1,376,956)**	**9,333,834**

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

(g) Contractual maturity for liabilities and commitments

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments as at 31 December 2014 and 31 December 2013. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

December 2014	On Demand ₦'000	Less Than 3 Months ₦'000	3 - 12 Months ₦'000	1-5 Years ₦'000	Over 5 Years ₦'000	Total ₦'000
Bonds	-					-
Advance Payment Guarantees	-	-	403,365			403,365
Other Commitments and guarantees	-	-		8,435,376		8,435,376
Total	-	-	403,365	8,435,376	-	8,838,741

December 2013	On Demand N'030	Less Than 3 Months N'000	3 - 12 Months N'000	1-5 Years N'000	Over 5 Years N'000	Total N'000
Bonds	-	1,352	-	-	-	1,352
Advance Payment Guarantees	-	-	48,978	-	-	48,978
Other Commitments and guarantees	-	-	-	10,357,416	-	10,357,416
Total	-	1,352	48,978	10,357,416	-	10,407,746

(h) Market risks

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Mortgage Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

(i) Interest Rate Risk sensitivity Analysis

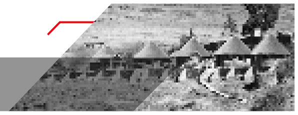
The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standards and non-standards interest rate scenarios.

Analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position was as follows:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the gap between risk sensitive asset and risk sensitive liability for the different maturities Gap of the Bank's earning assets and liability. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the gap position of the different maturities mismatch.

INTEREST RATE SENSITIVITY OF ASSETS AND LIABILITIES

31 December 2014	Carrying Amount N'000	Gross nominal inflow/outflow Amount N'000	Less than 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	1-5 years N'000
Financial assets						
Cash and cash equivalents	17,509,039	17,750,592	17,750,592	-	-	-
Loans and advances to customers	47,	50,999,876	24,423,773	3,275,611	831,112	22,469,381
Investment securities	9,718	10,000		10,000		
Promissory notes	3,239,336	3,946,409				3,946,409
Restricted balances with FMBN	1,119	1,119	-	-	-	1,119
Account receivables	4,707,597	4,407,497	-	-	4,407,497	-
	72645,176	77,115,493	42,174,365	3,285,611	5,238,609	26,416,909
Financial liabilities						
Deposits from banks	24,337	25,102	25,102			
Deposits from customers	57,903,230	58,131,946	34,718,863	8,619,563	7,719,820	7,073,700
Account payable	1,739,614	1,741,878			1,741,878	
Borrowings	17,202,919	17,494,762	15,418,057	189,337	354,798	1,532,570
	76,870,100	77,393,688	50,162,022	8,808,900	9,816,496	8,606,270
Net undiscounted financial assets/(liabilities)	(4,224,924)	(278,195)	(7,987,657)	(5,523,289)	(4,577,887)	17,810,639



NOTES TO THE FINANCIAL STATEMENTS - Continued

INTEREST RATE SENSITIVITY ANALYSIS

	Increase /Decrease in bp	Net Gap	Cumulative Gap	Sensitivity on Profit	Annualized Period
Less than 3 months	+100bp	(7,987,657)	(7,987,657)	(19,969)	Three months
3-6 Months	+100bp	(5,523,289)	(13,510,946)	(27,616)	Six months
6-12 Months	+100bp	(4,577,887)	(18,088,833)	(45,779)	One Year
1-5 Yrs	+100bp	17,810,639	(278,195)	178,106	

Interest Rate Risk sensitivity Analysis (continued)

INTEREST RATE SENSITIVITY OF ASSETS AND LIABILITIES

31 December 2013	Carrying Amount N'000	Gross nominal inflow/outflow Amount N'000	Less than 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	1-5 years N'000
Financial assets						
Cash and cash equivalents	17,433,875	17,611,691	17,611,691	-	-	-
Loans and advances to customers	34,249,099	34,250,201	15,781,647	1,110,282	2,437,122	14,921,150
Investment securities	3,394,143	3,610,000	1,510,000	100,000	2,000,000	-
Promissory notes	2,931,730	3,946,409	-	-	-	3,946,409
Restricted balances with FMBN	1,119	1,119				1,119
Advances	3,709,120	3,409,020			3,409,020	
	61,719,086	62,828,440	34,903,338	1,210,282	7,846,142	18,868,678
Financial liabilities						
Deposits from banks	53,325	53,625	53,625	-	-	-
Deposits from customers	58,470,141	58,688,006	34,929,132	8,746,867	7,833,834	7,178,173
Borrowings	10,448,305	10,468,605	8,023,836	88,098	-	2,356,671
Account payable	1,389,264	1,389,264			1,389,264	
	70,361,035	70,599,500	43,006,593	8,834,965	9,223,098	9,534,844
Net undiscounted financial assets/(liabilities)	(8,641,949)	(7,771,060)	(8,103,255)	(7,624,683)	(1,376,956)	9,333,834

INTEREST RATE SENSITIVITY ANALYSIS

	Increase /Decrease in bp	Net Gap	Cumulative Gap	Sensitivity on Profit	Annualized Period
Less than 3 months	+100bp	(8,103,255)	(8,103,255)	(20,258)	Three months
3-6 Months	+100bp	(7,624,683)	(15,727,938)	(38,123)	Six months
6-12 Months	+100bp	(1,376,956)	(17,104,894)	(13,770)	One Year
1-5 Yrs	+100bp	9,333,834	(7,771,060)	93,338	

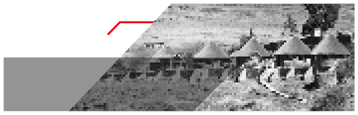
NOTES TO THE FINANCIAL STATEMENTS - Continued

31 Financial risk management -Continued

Exposure to interest rate risk - non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre- approved limits for repricing bands. The Risk Management and Investment Committee is the monitoring body for compliance with these limits and is assisted by Risk Management unit in its day-to-day monitoring activities. A summary of the Mortgage Bank's interest rate gap position on non-trading portfolios is as follows:

			Repricing periods			
	Notes	Carrying Amount	Less than 3 months	3 - 6 months	6 - 12 months	1-5 years
31 December 2014		₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalent	16	17,509,039	17,750,592	-	-	-
Loans and advances to customers	17	47,327,664	24,423,773	3,275,611	831,112	22,469,381
Investment securities-Held to maturity	19	9,718	-	10,000	-	-
Promissory notes	18	3,239,336	-	-	-	3,946,409
Restricted balance with FMBN	22	1,119	-	-	-	1,119
Account receivables	22	4,707,597	-	-	4,407,597	-
		72,645,176	42,174,365	3,285,611	5,238,609	26,416,909
Non-derivative liabilities						
Deposits from banks	24	24,337	25,802	-	-	-
Deposits from customers	24.1	57,903,230	34,718,863	8,619,563	7,719,820	7,073,700
Account payable	26	1,739,614	-	-	1,741,878	-
Borrowings	27	17,202,919	15,418,057	189,337	354,798	1,532,270
		76,870,100	50,162,022	8,808,900	9,816,496	8,606,270
Gap (assets - liabilities)		(4,224,924)	(7,987,657)	(5,523,289)	(4,577,887)	17,810,639
Cumulative liquidity gap		(4,224,924)	(7,987,657)	(13,510,946)	(18,088,833)	(278,195)



31 Financial risk management –Continued

31 December 2013	Notes	Carrying Amount ₦'000	Less than 3 months ₦'000	Repricing periods 3 - 6 months ₦'000	6 - 12 months ₦'000	1-5 years ₦'000
Cash and cash equivalent	16	17,433,875	17,611,691	-	-	-
Loans and advances to customers	17	34,249,099	15,781,647	1,110,282	2,437,122	14,921,150
Investment securities- Held to maturity	19	3,394,143	1,510,000	100,000	2,000,000	-
Promissory notes	18	2,931,730	-	-	-	3,946,409
Restricted balance with FMBN	22	1,119	-	-	-	1,119
Advances	22	3,709,120	-	-	3,409,020	-
		61,719,086	34,903,338	1,210,282	7,146,242	18,868,678
Non-derivative liabilities						
Deposits from banks	24	53,325	53,325	-	-	-
Deposits from customers	24.1	58,470,141	34,929,132	8,746,867	7,833,834	7,178,173
Account payable	26	1,389,264	-	-	1,389,264	-
Borrowings	27	10,448,305	8,023,836	88,098	-	2,356,371
		70,361,035	43,006,593	8,834,965	9,223,098	9,534,544
Gap (assets - liabilities)		(8,641,949)	(8,103,255)	(7,624,683)	(1,376,956)	9,333,834
Cumulative liquidity gap		(8,641,949)	(8,103,255)	(15,727,938)	(17,104,894)	(7,771,060)

NOTES TO THE FINANCIAL STATEMENTS - Continued

ASO SAVINGS & LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 Financial risk management -Continued

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Mortgage Bank's financial assets and to liabilities various scenarios. Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by the Bank and equity price risk is subject to regular monitoring by the Risk Management committee, but is not currently significant in relation to the overall results and financial position of the Bank.

Interest rate movement affect reported equity in the following ways:

(i)Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Bank's non-trading activities.

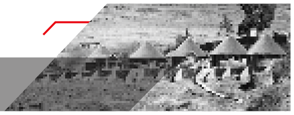
32 Contraventions

During the year, the Bank contravened certain provisions of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Revised Guidelines for Primary Mortgage Banks in Nigeria and Certain Central Bank of Nigeria circulars.

Description

During the year, the Bank failed to comply with the timeline for the submission of its Audited Financial Statements for the year ended 31 December 2013 to the Nigerian Stock Exchange.

The Bank paid the sum of ₦3,700,000 as penalty during the year.



NOTES TO THE FINANCIAL STATEMENTS - Continued

33 Customer Complaints

In line with circular FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the year ended 31 December 2014 is as set out below

	2014	2013
	'000	'000
Unresolved complaints brought forward	840	-
Number of complaints received	2,318	6,506
	====	======
Number complaints resolved	3,119	5,666
	====	======
Number of complaints not resolved	39	840
	==	======
	N'000	N'000
Total Disputed Amount	56,102	75,540
	=====	======

34 Events after the reporting date

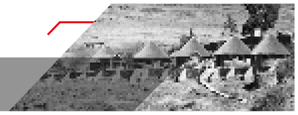
The mortgage bank is in the process of finalizing the acquisition of Union Homes Savings and Loans Limited with a view to integrating both entities. Memorandum of Understanding (MOU) and Transaction Implementation Agreement (TIA) have been executed with the entity's parent company. The Central Bank of Nigeria (CBN) has also given its 'no objection' to the proposed acquisition. A court ordered Extraordinary General Meeting was held on the 12th of November 2014 to approve the Scheme of Arrangement and Reorganization of share capital for Union Homes (UHSL).

As a follow up to the court ordered meeting the scheme document ratified by the shareholders of UHSL has been submitted to Nigerian SEC, and SEC has approved that the UHSL completion board meeting be convened (the completion board meeting formally hands over the entity to Aso Savings & Loans Plc.

UHSL has applied to NSE for listing of new shares with the completion board meeting to be held immediately upon NSE approval of the listing of new shares.

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 ₦'000	%	2013 ₦'000	%
Gross Earnings	8,421,943		10,299,129	
Interest Expense	(4,517,406)		(4,208,008)	
	3,904,537		6,091,121	
Net impairment loss on financial assets	(148,339)		(1,377,214)	
Bought-in-materials and services - local	(2,654,623)		(1,630,448)	
Value added	**1,101,575**	**100**	**3,083,459**	**100**
Applied to pay:				
Employee as wages, salaries and pension	2,187,549	199	2,062,974	67
Government taxes	38,004	5	401,255	13
Retained in business:				
Depreciation and amortisation	419,943	38	411,721	14
(Loss)/profit for the year	(1,543,921)	(142)	207,509	6
	1,101,575	**100**	**3,083,459**	**100**



FIVE-PERIOD FINANCIAL SUMMARY

	<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<< IFRS	>>>>>>>>>>>>>>>>>>>>>>>>			
	<<<<<< 31 December	>>>>>>>>>>>>		<<<<<< 31 March >>>>	
	2014	2013	2012	2012	2011
	₦'000	₦'000	₦'000	₦'000	₦'000
Assets:					
Cash and cash equivalents	17,509,039	17,433,875	17,086,901	29,739,001	27,762,333
Loans and advances to customers	47,327,664	34,249,099	35,020,586	40,165,688	32,608,072
Promissory notes	3,239,336	2,931,730	2,624,124	-	-
Investment securities:					
- Available for sale	-	-	-	77,556	155,110
- Held-to-maturity	9,718	3,394,143	123,603	226,047	108,450
Other assets	8,890,505	8,305,387	3,539,283	2,867,155	2,838,483
Property, plant and equipment	2,419,587	2,708,492	1,501,400	1,907,463	3,177,699
Intangible assets	2,791	17,758	34,096	42,239	56,419
Deferred taxation (asset)	-	-	110,527	110,527	62,298
	79,398,640	69,040,484	60,040,520	75,135,676	66,768,864
Non-current asset held for sale	20,203,152	18,082,236	20,133,320	10,177,236	9,762,157
Total assets	99,601,792	87,122,720	80,173,840	85,312,912	76,531,021
Liabilities:					
Deposits from banks	24,337	53,325	53,325	6,057,920	53,427
Deposits from customers	57,903,230	58,470,141	51,553,928	68,373,692	65,015,933
Current tax liabilities	80,545	245,258	490,847	305,913	362,262
Deferred taxation (liability)	-	63,371	-	-	-
Other liabilities	20,604,041	12,511,679	9,692,438	5,284,677	6,498,935
Borrowings	17,202,919	10,448,305	16,291,463	3,081,728	2,020,716
Total liabilities	95,815,072	81,792,079	78,082,001	83,103,930	73,951,273
Total Equity	3,786,720	5,330,641	2,091,839	2,208,982	2,579,748
Total liabilities and equity	99,601,792	87,122,720	80,173,840	85,312,912	76,531,021

PROFIT OR LOSS ACCOUNT	<<<<<<<<<<<<<<<<<<<<<< IFRS	>>>>>>>>>>>>>>>>>>>			LOCAL GAAP
Gross Earnings	8,421,943	10,299,129	10,157,867	10,739,116	11,007,714
(Loss)/Profit before taxation	(1,505,917)	608,764	296,359	(245,671)	1,902,859
(Loss)/Profit after taxation	(1,543,921)	207,509	(117,143)	(370,766)	1,212,335

The following are the nature of adjustments which will make the 31 March 2011 figures under GAAP comply with IFRS in line with IFRS 1:

Classification and measurement of assets and liabilities

FIVE-PERIOD FINANCIAL SUMMARY - Continued

Under IFRS, financial assets and liabilities are required to be classified as held for trading at fair value through profit or loss, available for sale, loans and receivables and held to maturity and other financial assets and liabilities. Financial instruments are measured based on their classification. (IAS 32, 39 and IFRS 7- Financial instruments).

A. **Short-term investments**

Under IFRS, investments are not classified as short-term. Therefore, short-term investments comprising of treasury bills would have being reclassified to investment securities and recognised at amortised costs in line with the Bank's intention and purposes

B. **Investment securities**

Under Nigerian GAAP, investments in unquoted securities are accounted for as financial instruments measured at cost. Under IFRS, such investments are designated as either held for trading, available-for-sale, and held to maturity in line with the Bank's intention and purposes.

IFRS requires held for trading investments to be measured at fair value with fair value gains and losses charged to profit and loss in the statement of comprehensive income; available-for – sale investments to be measured at fair value with fair value gains and losses recognised as other comprehensive income impacting equity and held-to-maturity investments are carried at amortised cost and the difference between the instruments amortised cost and Nigerian GAAP carrying amount would have impacted on the equity.

C. **Loans and advances**

Nigerian GAAP requires loans and advances to be measured at costs net of impairment losses using an expected loss model. A specific risk provision for loan impairment 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. A general provision of at least 1% is made for all performing accounts to recognize losses in respect of risks inherent in any credit portfolio.

In applying IFRSs, an impairment loss can only be accounted for if there is objective evidence that a loss has occurred after the initial recognition but before Statement of Financial Position date. Based on this, individual impairment would have been calculated and charged accordingly, while collective impairment is charged for facilities that are considered performing.

Amortised cost of loans and advances

Under Nigerian GAAP, gross loans and advances are measured at cost using the contractual interest rate. IFRS requires financial instrument classified such as loans and receivables to be measured at amortised cost using effective interest rate which takes into consideration the originating fees and other transaction costs.

D. **Other assets**

Interest receivables under the Nigerian GAAP are classified separately from the principal. Under IFRS, the interest should been included in the principal amount, although these changes may not have had significant impact on the profit and loss or equity.

E. **Deposit from banks and customers**

The impact of changes in deposit from banks and customers from the Nigerian GAAP to IFRS were mainly attributable to reclassification adjustment to properly distinguish deposits from banks from deposits from customers. These changes may not have significant impact on the profit and loss equity

FIVE-PERIOD FINANCIAL SUMMARY - Continued

F. **Borrowed funds**

Under Nigerian GAAP, borrowed funds are carried at cost. In applying IFRS, this would have been carried at amortised cost. The impact of changes in borrowed funds from the Nigerian GAAP to IFRS would have been mainly attributable to conversion adjustment to properly state borrowed funds at amortised cost.

G. **Other liabilities**

Under Nigerian GAAP, interest payable and unearned interest was presented as separate line items in other liabilities. In line with IFRS, this would have been included in the principal amount, although these changes may not have significant impact on the profit and loss or equity.

H. **Retained earnings**

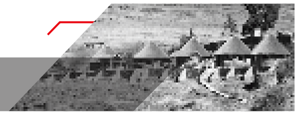
As a result of IFRS adoption, all impact due to re-measurements of various financial assets and liabilities would have been accounted for in retained earnings.

Movement in other reserves arising from fair value gains or losses recognised on the available for sale financial instruments would have been recognised within other comprehensive income.

SHARE CAPITAL HISTORY

	Authorized Share Capital		Issued/Paid Up Share Capital		
Date	Increase	Cumulative	Increase	Cumulative	Remarks
09/11/95	-	40,000,000	16,000,000	16,000,000	Cash
21/08/96	-	40,000,000	4,125,000	20,125,000	Cash
27/10/98	-	40,000,000	10,000,000	30,125,000	Cash
31/03/99	110,000,000	150,000,000	6,139,000	36,264,000	Cash
31/03/00	-	150,000,000	11,092,000	47,356,000	Cash
31/03/01	-	150,000,000	6,958,661	54,314,661	Cash
04/02/02	-	150,000,000	52,924,969	107,239,630	Bonus
31/03/06	350,000,000	500,000,000	-	107,239,630	-
29/06/06	-	500,000,000	-	107,239,630	-
03/08/06	200,000,000	700,000,000	-	107,239,630	-
27/09/06	2,000,000,000	2,700,000,000	2,000,000,000	2,107,239,630	Cash/Private Placement
27/09/06	2,300,000,000	5,000,000,000	2,232,334,708	4,339,574,338	Cash/Private Placement
12/02/08	5,000,000,000	10,000,000,000	-	8,679,148,676	Stock Split to 50k par value
14/12/11	10,000,000,000	20,000,000,000	-	8,679,148,676	-
04/09/13	-	20,000,000,000	6,062,585,126	14,741,733,802	Cash/Rights Issue

As at 31st December, 2014, the Authorized Share Capital of the Company is **₦10,000,000,000** comprising of **20,000,000,000** ordinary shares of **50 Kobo** each while the fully paid-up Share Capital is **₦7,370,866,901** made up of **14,741,733,802** ordinary shares of **50 Kobo** each.



PROXY FORM

Proxy form

16th Annual General Meeting to be held at Tahir Guest Palace, 4 Ibrahim Natsugune Road, Kano on Monday, 11th July, 2022 at 11:00am

I/We…………………………………………
………………………………………………

……………..……………………………….

Being a member (s) of ASO SAVINGS AND LOANS PLC hereby appoint

……………..………………………………

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Monday, 11th July, 2022.

Dated this … day of………………….. 2022

………………………………………
Shareholder's Signature

Monday, 11th July, 2022

Please indicate with X in the appropriate Space how you wish your vote to be cast on the resolutions set out below

RESOLUTIONS	FOR	AGAINST
1.To receive and consider the Financial Statements FYE 31st December 2013		
2. To receive and consider the Financial Statements FYE 31st December, 2014.		
3. To re-elect Directors in the place of those retiring: a. Alhaji Ali Magashi		
b. Mrs. Riskatu Ladi Ahmed		
4. To ratify the appointment of Directors: a. Mrs. Risikatu Ladi Ahmed		
b. Mr. Abdul Kofarsauri		
c. Mr. Henry Semenitari		
d. Amb. Umar Iliya Damagum		
e. Mr. Daniel Dayo Kunle		
f. Mr. Isiyaku Ismaila		
g. Mr. Richard Femi Bello		
h. Mr. Enesi Makoju		
5. To ratify the remuneration of Directors.		
6 To reappoint Ernst & Young and Aminu Ibrahim & Co as the Joint External Auditors of the Company		
7 To authorize the Directors to fix the Remuneration of the Joint External Auditors		
8 To elect Shareholders Representatives of the Audit Committee		

NOTE:

1. A member (Shareholder) who is unable to attend the Annual General Meeting is allowed to vote by proxy. The above has been prepared to enable you to exercise your right to vote in case you cannot personally attend the meeting.
2. Provision has been made on this form for the Chairman of the meeting to act as your proxy, but if you wish you may insert in the blank space on the form (marked) the name of any person whether a member of the Company or not who will attend the meeting and vote on your behalf instead of the Chairman of the meeting.
3. Please sign the proxy form if you are not attending and have it delivered at number Plot 266 FMBN Building, Central Business District, Abuja not less than 4 working days before the time of holding the Annual General meeting.
4. If the shareholder is a corporate body, the proxy form should be sealed with a common seal.

SHAREHOLDERS INFORMATION UPDATE FORM

Please complete this form and send to **FIRST REGISTRARS & INVESTOR SERVICES LIMITED**, Plot 2 Abebe Village Road Iqanmu, Lagos; No 3 Jos Street, Opposite Sharon ultimate Hotel, Area 3, Garki, Abuja OR **ASO SAVINGS & LOANS PLC** Office at Plot 266, Cadastral Zone AO, central Business District, Abuja.

Name:

RC number (Corporate Organizations Only):

Number of shares held at 50k each:

Email Address:

Telephone No(s):

Address:

Mailing Address (If different from the above):

Next of Kin:

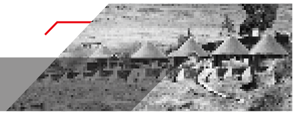
Bankers:

Account Number:

Shareholder's Signature (1) (Single Shareholder)

(2) (Joint/Corporate Account)

Note: If the shareholder is a corporate one, kindly impress company's seal or stamp



E-DIVIDEND MANDATE FORM

Affix Current Passport
(To be stamped by Bankers)
Write your name at the back of your passport photograph

E-DIVIDEND

FirstRegistrars

E-DIVIDEND ACTIVATION FORM

Only Clearing Banks are acceptable

Instruction

Please complete all section of this form to make it eligible for processing and return to the address below

The Registrar,
First Registrars & Investor Services Ltd.
2, Abebe Village Road, Iganmu
P. M. B. 12692 Lagos. Nigeria.

I\We hereby request that henceforth, all my\our dividend Payment(s) due to me\us from my\our holdings in all the companies ticked at the right hand column be credited directly to my \ our bank detailed below:

Bank Verification Number

Bank Name

Bank Branch

Bank Address

Bank Account Number

Account Opening Date

Account Type (Tick) Current Savings

Shareholder Account Information

Surname First Name Other Names

Address :

City State Country

Previous Address (If any)

CHN (If any)

Mobile Telephone 1 Mobile Telephone 2

Email Address

Signature(s) Company's Seal

Joint\Company's Signatories

TICK	NAMES OF COMPANY	SHAREHOLER'S ACCOUNT NUMBER
	ABC TRANSPORT PLC	
	ACAP CANARY GROWTH FUND	
	AFRICAN DEVELOPMENT BANK BOND	
	AFRICAN PAINTS PLC	
	ASSET & RESOURCE MANAGEMENT COMPANY LTD(FUND)	
	ARM AGGRESSIVE GROWTH FUND	
	ARM ETHICAL FUND	
	ASO-SAVINGS AND LOANS PLC	
	AUSTIN LAZ AND COMPANY PLC	
	BANK PHB PLC (NOW KEYSTONE BANK LIMITED)	
	BAYELSA STATE GOVERNMENT BOND	
	BCN PLC-MARKETING COMPANY	
	BOC GASES NIGERIA PLC	
	CADBURY NIGERIA PLC	
	CHAMS PLC	
	COSTAIN WEST AFRICA PLC	
	CORE INVESTMENT SCHEME (COINS)	
	CORE VALUE ACCOUNT (COVA)	
	CR SERVICES (CREDIT BUREAU) PLC	
	CROSS RIVERS STATE GOVT BOND	
	DAAR COMMUNICATIONS PLC	
	DEAP CAPITAL MANAGEMENT & TRUST PLC	
	DELTA STATE GOVT BOND	
	DV BALANCED FUND	
	EDO STATE GOVT BOND	
	FAMAD NIGERIA PLC	
	FBN FIXED INCOME FUND	
	FBN HOLDINGS PLC	
	FBN HERITAGE FUND	
	FBN MONEY MARKET FUND	
	FBN NIGERIA EUROBOND (USD) FUND	
	FBN NIGERIA SMART BETA FUND	
	FIDELITY BANK PLC	
	FIDELITY BANK PLC BOND	
	FORTIS MICROFINANCE BANK PLC	
	FRIESLANDCAMPINA WAMCO NIGERIA PLC	
	HONEYWELL FLOUR MILLS PLC	
	INDORAMA ELEME PETROCHEMICALS COMPANY STAFF COOP SOCIETY LTD	
	JULI PLC	
	LAGOS STATE BOND 167.5 BILLION 2^{ND} DEBT ISSUANCE PROGRAMME N80 BILLION 4% (SERIES 1 BOND)	
	LAGOS STATE BOND 167.5 BILLION 2^{ND} DEBT ISSUANCE PROGRAMME N87.5 BILLION 13.5% (SERIES 2 BOND)	
	LEARN AFRICA PLC	
	LOTUS HALAL EQUITY EXCHANGE TRADED FUND	
	NIGERIA POLICE MORTGAGE BANK PLC	
	NIGERIAN BREWERIES PLC	
	OANDO PLC	
	ONDO STATE GOVT BOND	
	OYO STATE GOVT BOND	
	PARTNERSHIP INVESTMENT CO.PLC	
	PRESCO PLC	
	PRESTIGE ASSURANCE PLC	
	PZ-CUSSONS NIGERIA PLC	
	RAK UNITY PETROLEUM PLC	
	REDEEMED GLOBAL MEDIA COMPANY	
	SIM CAPITAL ALLIANCE VALUE FUND	
	STACO INSURANCE PLC	
	STANBIC IBTC BANK PLC FLOATING RATE& FIXED RATE SUBORDINATED UNSECURED NOTES BOND TRANCHE A & B	
	STANBIC IBTC BOND FUND	
	STANBIC IBTC ETF 30 FUND	
	STANBIC IBTC ETF 40 FUND	
	STANBIC IBTC BALANCED FUND	
	STANBIC IBTC DOLLAR FUND	
	STANBIC IBTC ETHICAL FUND	
	STANBIC IBTC GUARANTEED INCOME FUND	
	STANBIC IBTC HOLDINGS PLC	
	STANBIC IBTC MONEY MARKET FUND	
	STANBIC IBTC NIGERIAN EQUITY FUND	
	STANDARD ALLIANCE INSURANCE PLC	
	STARCOMMS PLC	
	UBA FIXED RATE SUBORDINATED UNSECURED NOTES BOND	
	UNION DIAGNOSTIC AND CLINICAL SERVICES PLC	
	UPDC REITS	
	VANTAGE BALANCED FUND (INCOME & ACCUMULATED)	
	VANTAGE GUARANTEED INCOME FUND	
	WEST AFRICAN ALUMINIUM PRODUCTS (WAAP)	
	ZAMFARA STATE BOND	

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