

**ABBHEY BUILDING SOCIETY PLC
LAGOS, NIGERIA**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

ABBAY BUILDING SOCIETY PLC

**CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

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ABBHEY BUILDING SOCIETY PLC**CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013****DIRECTORS**

Names	Post Held
Chief Ifeanyichukwu Boniface Ochonogor	Chairman
Mrs. Rose Ada Okwechime	Managing Director/CEO
Mr. Madu Hamman	Executive Director
Mr. Maurice Okoli	Executive Director
Mazi Emmanuel Kanu O.Ivi	Non - Executive Director
Chief Rufus Aremu Olashoju	Non - Executive Director
Air Vice Marshal Olufemi Soewu (Retired)	Non - Executive Director
* Mr. Khaled Ben Jilani	Non - Executive Director
** Mr. Bernard Okumagba	Non - Executive Director
*** Mr. Michael Reuben Barth	Independent Non - Executive Director

*Resigned from position upon settlement of the Africinvest Financial Sector loan effective from 12 June 2013.

**New Director appointed by the Board of Directors (the "Board") on 22 August 2013 and approved by the Central Bank of Nigeria ("CBN") on 14 October 2013.

*** Resigned from position on 31 December 2013.

Company Secretary Geoff O. AmaghereonuEsq.

Registered Office 23 Karimu Kotun Street, Victoria Island
Lagos

Registered No: RC 172093

License No: 000026

Auditor: Ernst and Young
2A Bayo Kuku Road
Ikoyi
Lagos

Registrar: Africa Prudential Registrars Plc
220B, Ikorodu Road
Palmgrove
Lagos
Nigeria

ABBHEY BUILDING SOCIETY PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2013.

The Company has applied International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") in preparing these Financial Statements and the comparative financial information.

1) RESULT

Highlights of the Company's operating results for the year under review are as follows:

	2013 ₦'000	2012 ₦'000
(Loss)/profit before taxation	(472,577)	305,326
Income taxation expense	(36,023)	(86,351)
	-----	-----
(Loss)/profit after taxation	(508,600)	218,975
Other comprehensive income		
Impairment losses on financial investments	-	(4,040)
Reclassification of net loss to income statement	-	4,040
	-----	-----
	(508,600)	218,975
Less: appropriations:		
Transfer to reserves	(421,506)	(159,583)
	-----	-----
Net effect of operations on retained earnings	(930,106)	59,392
	=====	=====

2) PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company continues to be the provision of mortgage and banking services to the general public.

3) LEGAL FORM

The Company, which was incorporated in Nigeria as a private limited liability company on 26 August, 1991, obtained its license to operate as a mortgage bank on 20 January 1992, commenced business on 11 March 1992 and later converted to a public limited liability company in September 2007. On 21 October 2008, the Company became officially listed on the Nigerian Stock Exchange.

ABBAY BUILDING SOCIETY PLC**REPORT OF THE DIRECTORS - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013****4) DIRECTORS' INTERESTS IN SHARES AND CONTRACTS**

The interests of the Directors in the issued share capital of the Company as recorded in the Register of Directors' Shareholding as at 31 December 2013 are as follows:

S/N	Name of Directors	Direct Holding			
		As at 31 December 2013 (Shares)	Percentage Holding [%]	As at 31 December 2012 (Shares)	Percentage Holding [%]
1	Chief Ifeanyichukwu Boniface Ochonogor	275,198,488	6.55	275,198,488	6.55
2	Mrs. Rose Ada Okwechime	204,356,780	4.87	204,356,780	4.87
3	Mr. Maurice Okoli	NIL	NIL	NIL	NIL
4	Mr .Madu Hamman	839,170	0.02	839,170	0.02
5	Mazi Emmanuel Kanu O. Ivi	86,442,341	2.06	86,442,341	2.06
6	Chief Rufus Aremu Olashoju	137,867,086	3.28	137,867,086	3.28
7	AVM Olufemi Soewu (Retired)	50,717,076	1.21	50,717,076	1.21
8	Mr. Khaled Ben Jilani	NIL	NIL	NIL	NIL
9	Mr. Bernard Okumagba	8,723,720	0.21	NIL	NIL
10	Mr. Michael Reuben Barth	NIL	NIL	NIL	NIL

Indirect Holdings

- Chief Ifeanyichukwu Boniface Ochonogor has an indirect holding in the Company through Forte Properties & Investment Ltd, a company in which he is a majority equity holder.
- Mrs. Rose Ada Okwechime has an indirect holding in the Company through Madonna Ashib Commercial Enterprises Ltd, a company in which she is the majority equity holder.

ELECTION/RE-ELECTION OF DIRECTORS

In accordance with the provisions of the Companies & Allied Matters Act and the Articles of Association:

- Chief Rufus Aremu Olashoju retires by rotation and being eligible offers himself for re-election.
- Mr. Bernard Okumagba was appointed to replace Mr. Khaled Ben Jilani who resigned from the Board on 22 August 2013. His appointment will be presented to the members for approval at this meeting.
- Mr. Emile Hubert Groot was appointed on 1 February 2014 to replace Mr. Michael Barth who resigned on 31 December 2013. His appointment will be presented to the members for approval at this meeting.

None of the directors have direct or indirect interest in the Company's contracts as at 31 December 2013 and 2012.

5) RECORD OF DIRECTORS' ATTENDANCE

In accordance with Section 258 (2) of the Companies and Allied Matters Act CAP C20 LFN 2004, the Record of Directors' attendance at Directors' meetings during the financial year under review is available for inspection at the Annual General Meeting.

ABBAY BUILDING SOCIETY PLC

REPORT OF THE DIRECTORS - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013

6) SUBSTANTIAL INTEREST IN SHARES

Nigerian citizens and associations held all the ordinary shares of the Company as at 31 December 2013 and 2012. No individual shareholder directly held more than 5% of the issued and paid up share capital of the Company except the following:

As at 31 December 2013

Shareholder	No. of shares held	Percentage of shareholding %
Madonna Ashib Comm. Enterprise Ltd	1,066,122,674	25.38
Forte Properties & Investment Ltd	1,018,611,013	24.25
Abbey Staff Share Trust Scheme	308,200,087	7.34
Chief Ifeanyichukwu Boniface Ochonogor	275,198,488	6.55

As at 31 December 2012

Shareholder	No. of shares held	Percentage of shareholding %
Madonna Ashib Comm. Enterprises Ltd	784,091,424	18.67
Forte Properties & Investment Ltd	736,579,763	17.54
BGL Trustees Ltd	420,000,000	10.00
Abbey Staff Share Trust Scheme	359,200,087	8.55
Chief Ifeanyichukwu Boniface Ochonogor	275,198,488	6.55

7) HISTORY OF CAPITALIZATION

The authorised, issued and fully paid up share capital are as follows:

DATE	AUTHORISED		ISSUED AND FULLY PAID		CONSIDERATION
	INCREASE (N)	CUMMULATIVE (N)	INCREASE (N)	CUMMULATIVE (N)	
1991		5,000,000		5,000,000	CASH
1992	10,000,000	15,000,000	10,000,000	15,000,000	CASH
1992	15,000,000	30,000,000		15,000,000	
1994	20,000,000	50,000,000	15,000,000	30,000,000	CASH
1996		50,000,000	20,000,000	50,000,000	CASH
1997	50,000,000	100,000,000		50,000,000	
1999		100,000,000	20,000,000	70,000,000	CASH
1999		100,000,000	8,000,000	78,000,000	BONUS
2000	100,000,000	200,000,000	22,000,000	100,000,000	BONUS
2001		200,000,000	85,000,000	185,000,000	CASH
2001		200,000,000	15,000,000	200,000,000	BONUS
2002	300,000,000	500,000,000	40,000,000	240,000,000	BONUS
2003		500,000,000	25,000,000	265,000,000	BONUS
2004	300,000,000	800,000,000	50,000,000	315,000,000	CASH
2005	200,000,000	1,000,000,000	25,000,000	360,000,000	BONUS
2005			140,000,000	500,000,000	CASH
2006	500,000,000	1,500,000,000		500,000,000	
2006			18,000,000	518,000,000	BONUS
2006			224,500,000	742,500,000	CASH
2007			277,435,000	1,019,935,000	CASH
2007	2,000,000,000	3,500,000,000	1,080,065,000	2,100,000,000	CASH

ABBAY BUILDING SOCIETY PLC

REPORT OF THE DIRECTORS - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013

8.1) ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2013

Range	Number of Shareholders	Shares Held	Percentage of shareholding %
1 - 100,000	519	23,175,978	0.55
100,001 - 500,000	123	30,573,029	0.73
500,001 - 1,000,000	21	19,257,148	0.46
1,000,001 - 50,000,000	34	307,897,974	7.33
50,000,001 - 500,000,000	14	1,734,362,184	41.29
500,000,001 - 2,000,000,000	2	2,084,733,687	49.64
	-----	-----	-----
	713	4,200,000,000	100.0
	=====	=====	=====

8.2 ANALYSIS OF SHAREHOLDERS AS AT 31 DECEMBER 2012

Range	Number of Shareholders	Shares Held	Percentage of shareholding%
1 - 100,000	472	23,179,419	0.55
100,001 - 500,000	128	31,772,292	0.76
500,001 - 1,000,000	18	17,225,448	0.41
1,000,001 - 50,000,000	32	221,823,193	5.28
50,000,001 - 500,000,000	16	2,518,757,133	59.97
500,000,001 - 2,000,000,000	2	1,387,242,515	33.03
	-----	-----	-----
	604	4,200,000,000	100.0
	=====	=====	=====

9) DONATIONS

Donations made during the year amounted to ₦.800million. (2012: ₦1.313 million). No donation was made to any political organization. The beneficiaries are:

	2013 ₦'000	2012 ₦'000
Federal Road Safety - COOP	500	-
Down syndrome Foundation of Nigeria	100	50
Sacred Heart School, Lagos	50	100
Radiance School, Lagos	50	100
Loral International School	50	50
Nazareth School	50	-
Mortgage Banking Association of Nigeria	-	200
Glisten Academy, Abuja	-	100
Wesley Schools for the hearing Impaired	-	50
National Handicap Careers Association of Nigeria	-	50
Others	-	613
	-----	-----
Total	800	1,313
	===	=====

ABBAY BUILDING SOCIETY PLC

REPORT OF THE DIRECTORS - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013

10) PROPERTY AND EQUIPMENT

Movements in Property and equipment during the year are shown in note 20 to the financial statements.

11) DIVIDEND

The Directors are not proposing any dividend payment for the year. This was the same for 2012.

12) EMPLOYMENT AND EMPLOYEES

Employment of disabled persons

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees, whether or not disabled, are given equal opportunities to develop. As at 31 December 2013 one physically challenged person was employed by the Company.

Employee's involvement and training

The Company is committed to keeping employees as fully informed as possible regarding its performance and progress and seeking their views whenever practicable on matters which particularly affect them as employees.

The Company places a high premium on the development of its manpower. The Company's expanding skill base has been extended by a range of training programs provided for its employees whose opportunities for career development with the Company have been enhanced.

Health, safety at work and welfare of employees

Health and safety regulations are in force within the Company's premises and employees are aware of the existing regulations. The Company provides subsidy to all levels of employees for medical treatment, transportation, housing, etc.

13) ACQUISITION OF OWN SHARES

The Company did not purchase its own shares during the year (2012: Nil).

14) EVENTS AFTER REPORTING DATE

Following the approval of the Central Bank of Nigeria (CBN) on 17 September 2013, and the approval of the Corporate Affairs Commission of Nigeria on 16 January 2014, the Company changed its name from Abbey Building Society Plc to Abbey Mortgage Bank Plc.

There are no other events after the reporting date which could have had a material effect on the state of affairs of the Company as at 31 December 2013 and loss for the year ended on that date, that have not been adequately adjusted for, or which require specific disclosures.

ABBAY BUILDING SOCIETY PLC

REPORT OF THE DIRECTORS - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013

15) AUDIT COMMITTEE

Pursuant to Section 359(3) of the Companies and Allied Matters Act CAP C20 LFN 2004, the Company has an Audit Committee comprising of three Directors and three Shareholders as follows:

1.	Dr.UdoUdo-Aka MON	-	Chairman
2.	Mazi Emmanuel Kanu O. Ivi	-	Member
3.	AVM OlufemiSoewu (Rtd)	-	Member
4.	Chief Rufus AremuOlashoju	-	Member
5.	Prince (Engr.) MOT. O. Tobun	-	Member
6.	Mr. Mathias M. Adaba	-	Member

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act CAP C20 LFN 2004.

16) AUDITORS

In accordance with Section 357(2) of the Companies and Allied Matters Act CAP C20 LFN 2004, Messrs Ernst and Young have indicated their willingness to continue in office as Auditors of the Company. A resolution will be proposed at the Annual General Meeting authorizing the Directors to determine their remuneration.

BY ORDER OF THE BOARD OF DIRECTORS

GEOFF O. AMAGHEREONU ESQ
FRC/2013/NBA/00000002815
Company Secretary/Legal Adviser
23 KarimuKotun Street,
Victoria Island, Lagos.
Date: [TBD]

**CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

Introduction

Abbey Building Society Plc(the “Company”) recognizes the fact that effective governance system is essential to retaining public trust and confidence in the way and manner we do our business. Our governance policies are structured to ensure maximum compliance with the provisions of the various laws and codes on the subject. These include the Central Bank of Nigeria Code of Corporate Governance of April 2006, the SEC Code of Corporate Governance dated 1 April 2011, the Post Listing requirements of Nigerian Stock Exchange, our internal Code of Corporate Governance and international best practices.

The Company’s Code of Corporate Governance is targeted at the achievement of the highest standards of transparency, accountability and good corporate behaviour in line with international best practices. The governance structures and processes are primed for the satisfaction of the various stakeholders including employees, shareholders, creditors, host communities and regulatory authorities.

The Company’s corporate ethos include accountability, transparency, integrity, fairness, discipline, communication, social and environmental responsibility, service excellence, responsible lending and stakeholder-rights’ recognition. Directors and employees are expected to act honestly, in good faith and in the best interest of the company in all transactions.

The governance structure of the Company is driven principally by the Board of Directors (the “Board”), whose members are equipped with the requisite academic qualifications and relevant industry experience and tools to discharge their roles in the Company. The governance policies adopted by the Board are designed to ensure long-term shareholder value. It is the primary responsibility of the Board to deliver sustainable shareholders’ wealth through its oversight functions.

In compliance with the provisions of the Securities and Exchange Commission Code of Corporate Governance for quoted companies and the operational guidelines provided by the CBN, the Directors are of the opinion that the Company has to the best of its ability abided with the provisions of the CBN and SEC Codes of Corporate Governance.

Meetings of Shareholders

The general meeting of the Company remains the highest decision making organ and the primary avenue for interaction between the shareholders, Management and the Board. Annual General Meetings are conducted in an open manner allowing for free discussions on all issues on the agenda and in accordance with the provisions of the Companies and Allied Matters Act and the Articles of Association of the Company. Venues for such meetings are always easily accessible.

Audit Committee

The Statutory Audit Committee is established in line with Section 359 (6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation 2004. The Committee during the year comprised six members – three members representing the shareholders and elected at the Annual General Meeting and three Non-Executive Directors. The Committee meets at least four times a year but could also meet at any other time should the need arise to enable it discharge its statutory duties as provided under the Act.

The membership of the Committee is as follows:

Shareholders

Dr.UdoUdo-Aka, MON (Chairman)
Prince (Engr.) MOT O. Tobun
Mr. Matthias Menyelum Adaba

Directors

Mazi Emmanuel Kanu O. Ivi
AVM Olufemi Soewu (Rtd)
Chief Rufus Aremu Olashoju

CORPORATE GOVERNANCE REPORT - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013

Board of Directors

The Board is accountable and responsible for the affairs of the Company by ensuring that its operations at all times are carried out within the legal and regulatory framework. The Board's responsibilities and duties include, but are not limited to, defining the Company's business strategic goals, formulating effective risk management policies, leadership, enterprise, integrity and judgment in directing the Company so as to achieve continuing prosperity and to act in its best interest in a manner based on transparency, accountability, good corporate governance and equity.

Appointment to the Board is made by the shareholders at the Annual General Meeting upon recommendation by the Board of Directors. During the year under review, the Board composition was nine. This consists of a Non – Executive Chairman, other Non – Executive Directors (including one Independent Director) and three Executive Directors (including the Managing Director /Chief Executive Officer).

The Board meets at least once every quarter but may hold other sessions to address urgent matters requiring its attention. Its oversight functions are performed through the following Committees:

- Board Credit and Risk Management Committee
- Board Audit and Compliance Committee
- Board Strategy and Financial Analysis Committee
- Board Governance and Remuneration Committee

The Committees of the Board are constituted as follows:

Board Credit and Risk Management Committee

Mazi Emmanuel Kanu O. Ivi	Chairman
AVM Olufemi Soewu (Rtd)	Member
Mr. Madu Hamman	Member
Chief Rufus Aremu Olashoju	Member
Mr. Maurice Okoli	Member

Board Strategy and Financial Analysis Committee

Mazi Emmanuel Kanu O. Ivi	Chairman
AVM Olufemi Soewu (rtd)	Member
Chief Rufus Aremu Olashoju	Member
Mr. Madu Hamman	Member
Mr. Maurice Okoli	Member

Board Governance and Remuneration Committee

AVM Olufemi Soewu (Rtd)	Chairman
Chief Rufus Aremu Olashoju	Member
Mazi Emmanuel Kanu O. Ivi	Member
Mr. Madu Hamman	Member
Mr. Maurice Okoli	Member

Board Audit & Compliance Committee

Mazi Emmanuel Kanu O. Ivi	Chairman
AVM Olufemi Soewu (Rtd)	Member
Mr. Madu Hamman	Member
Chief Rufus Aremu Olashoju	Member
Mr. Maurice Okoli	Member

Frequency of Meetings

The Board and its Committees meet at least four times every year.

ABBAY BUILDING SOCIETY PLC**CORPORATE GOVERNANCE REPORT - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013****Records of Directors' Attendance of Board and Committee Meetings**

The table below shows the frequency of meetings of the Board of Directors and Board Committees, and Members' attendance at these meetings during the year under review:

Name	Number of Meetings held	Number of Meetings attended
Chief Ifeanyichukwu B. Ochonogor	4	4
Mrs. Rose Ada Okwechime	4	4
Mazi Emmanuel Kanu O. Ivi	4	4
Chief Rufus AremuOlashoju	4	3
AVM OlufemiSoewu (Rtd)	4	4
*Mr. Khaled Ben Jilani	4	2
*Mr. Michael Ruben Barth	4	4
*Mr. Bernard Okumagba	4	1
Mr.MaduHamman	4	4
Mr. Maurice Okoli	4	4

* Mr. Khaled Ben Jilani resigned from the Board effective 22 August 2013.

* Mr. Bernard Okumagba was appointed as a Director of the Company on 22 August 2013.

* Mr. Michael Ruben Barth left the Board upon expiration of his contract on 31 December 2013.

* Mr. Emile Hubert Groot was appointed with effect from 1 February 2014 to replace Mr. Barth as Independent Director subject to CBN approval.

Credit Committee and Risk Management Committee

Name	Number of Meetings held	Number of Meetings attended
Mazi Emmanuel Kanu O. Ivi	7	7
AVM OlufemiSoewu (Rtd)	7	7
Chief Rufus AremuOlashoju	7	2
Mr.MaduHamman	7	7
Mr. Maurice Okoli	7	7
*Mr. BernardOkumagba	7	1

* Mr. BernardOkumagba was appointed a member of the Committee upon joining the Board on 22 August 2013.

Strategy and Financial Analysis Committee

Name	Number of Meetings held	Number of Meetings attended
Mazi Emmanuel Kanu O. Ivi	4	4
AVM OlufemiSoewu (Rtd)	4	4
Chief Rufus AremuOlashoju	4	3
Mr.MaduHamman	4	4
Mr. Maurice Okoli	4	4

Governance and Remuneration Committee

Name	Number of Meetings held	Number of Meetings attended
AVM OlufemiSoewu (Rtd)	6	6
Chief Rufus AremuOlashoju	6	4
Mazi Emmanuel Kanu O. Ivi	6	5
Mr.MaduHamman	6	6
Mr. Maurice Okoli	6	6

ABBAY BUILDING SOCIETY PLC

CORPORATE GOVERNANCE REPORT - *Continued* FOR THE YEAR ENDED 31 DECEMBER 2013

Audit and Compliance Committee

Name	Number of Meetings held	Number of Meetings attended
Mazi Emmanuel Kanu O. Ivi	5	5
AVM OlufemiSoewu (Rtd)	5	5
Chief Rufus AremuOlashoju	5	3
Mr.MaduHamman	5	5
Mr. Maurice Okoli	5	5

The table below shows the frequency of meetings of the Statutory Audit Committee and members' attendance at these meetings during the year under review:

Name	Number of Meetings held	Number of Meetings attended
Dr, UdoUdo-Aka, MON	4	4
Prince (Engr.) MOT O. Tobun	4	3
Mr. Matthias MenyelumAdaba	4	3
Mazi Emmanuel Kanu O. Ivi	4	4
AVM OlufemiSoewu (Rtd)	4	3
Chief Rufus AremuOlashoju	4	4

ELECTION/RE-ELECTION OF DIRECTORS

In accordance with the provisions of the Companies & Allied Matters Act and the Articles of Association:

- Chief Rufus AremuOlashoju retires by rotation and being eligible, offers himself for re-election.
- Mr. Bernard Okumagba was appointed to replace Mr. Khaled Ben Jilani, on 22 August 2013. His appointment will be presented to the members for approval at the Annual General Meeting.
- Mr. Emile Hubert Groot was appointed on 1 February 2014 to replace Mr. Michael Barth who resigned on 31 December 2013. His appointment will be presented to the members for approval at the Annual General Meeting.

Biographical Notes on Persons for Election/Re-election as Directors

CHIEF RUFUS AREMU OLASHOJU

Chief Rufus Aremu Olashoju studied Automobile Engineering at the Trade Centre, Yaba (now Yaba College of Technology). Thereafter, he proceeded to the DAF Truck Engineering School, Holland where he obtained a Diploma in Automobile Engineering.

He had a distinguished working career at Motorways Nigeria Limited where he started as the founding Engineer. He has been the Chairman of the company since 1965. He is currently the Chairman of Arab Contractors (O. A. O) Nigeria Limited and a director in other reputable companies in Nigeria.

A Fellow of the Institute of Directors Nigeria, (IoD) and member of the Manufacturers Association of Nigeria (MAN), Chief Olashoju is also a member of the prestigious Ikoyi Club 1938, Lagos and Yoruba Tennis Club, Onikan, Lagos.

MR. BERNARD OKUMAGBA

Mr. Bernard Okumagba has over 25 years of cognate working experience spanning 16 years of consummate banking. He started his banking career at Oceanic Bank Plc in 1991 and later joined Crystal Bank of Africa Limited in 1994 as a Deputy Manager in the Risk Management Division. He also served as Head of Risk Management Department; Manager, Corporate Banking Division; Chief Inspector and Senior Manager, Corporate and Commercial Banking Division; of Fidelity Bank Plc from 1996 to 2002.

In 2002, he joined First Atlantic Bank Plc as Senior Manager and in 2003 he was later appointed to head the Asset Management subsidiary of the bank, a position he held until 2004 when he joined the United Bank for Africa as Principal Manager, Consumer and Commercial Banking Divisions. Mr. Okumagba held this position until August 2007 when he was appointed as a Commissioner for Economic Planning in Delta State and in November 2010, he was appointed Commissioner for Finance until July 2013. He is presently Chairman of both Regents Consults Limited and Noly Insurance Brokers Limited.

Mr. Okumagba holds a B.Sc. in Accountancy from the University of Nigeria, Nsukka. He is an Associate Member of the Institute of Chartered Accountants of Nigeria.

**CORPORATE GOVERNANCE REPORT - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013**

MR. EMILE HUBERT GROOT

Mr. Groot, a national of the Netherlands holds a Masters at an Exchange programme in the Northern Illinois University, USA and Candidate Doctoral in Economics (including Banking and Monetary Economics) at the University of Tilburg, The Netherlands all in 1974.

He had a distinguished career as a fulltime lecturer of Economics at Masters level at the Polytechnic University of Mexico City from 1976 to 1978, Advisor to the National Institute of Labour Studies in Mexico and the Nicaraguan Investment Fund at the Hague, Netherlands from 1978 to 1995 and FMO Senior Investment Officer Latin America Project Finance and financing of Financial Intermediaries.

Between 1995 and 2009, Mr. Groot became a Manager of Small Scale Enterprise Department responsible for all FMO's micro, small and medium investments world-wide; Financial Sector Specialist in the Asia Department; and member of the Board of Shore cap International, Chicago; Chairman of FMO's Knowledge Centre Banks and Specialist in the newly created Financial Institution Group.

Before joining the company, Mr. Groot has been a Board member of Africap in South Africa as well as TBC Bank in Georgia and Financial Sector Specialist at the Special Operations Department of FMO. His areas of core competence include commercial banking, international finance, risk management, financial analysis and corporate governance.

Executive Management Committee

The Executive Management Committee comprises all senior executives from the rank of Assistant General Manager and above and is chaired by the MD/CEO. The Committee meets every two weeks or such other times as the business exigencies of the Company may require. It has the primary responsibility of implementing the strategies approved by the Board, providing leadership to the Management Team and ensuring efficient deployment and management of the Company's resources.

Its membership comprises the following:

1. Mrs. Rose Ada Okwechime	Managing Director/CEO (Chairman)
2. Mr MaduHamman	Executive Director, Finance and Administration
3. Mr. Maurice Okoli	Executive Director, Investment and Lending
4. Mr. Andrew O. Nwosisi	General Manager, Operations
5. Mr. Geoff O. Amaghereonu, Esq.	Company Secretary/Legal Adviser
6. Mr. Oneyogor S. Igwala	Head of Treasury
7. Ms. Olabisi Ajeigbe	Financial Controller
8. Mr. Akeem Akinfenwa	Head, Strategy, Product Development and Performance Management
9. Mr. Emmanuel Alagbe	Head, Asset and Liability Management
10. Mr. Omoruyi Odigie	Head, Risk Management
11. Mrs. Henrietta Okafor	Regional Manager, Lagos
12. Mrs. Lolita Ejiofor	Head of Compliance & Business Review

Human Resources

The Company strives to be an employer of choice. The Company operates the "equal opportunity" principle. There is no gender or religious bias. There is no discrimination against physically-challenged persons or persons living with HIV/AIDS. Staff training and development have been our watchword and a number of senior staff have participated in international and national workshops and seminars, whilst there are regular in-house training sessions tailored to our specific needs covering all levels of staff.

CORPORATE GOVERNANCE REPORT - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013

The Company strives hard to provide a safe and secure atmosphere for all its stakeholders. Various measures are in place to ensure a peaceful, friendly and conducive environment for all to transact business. All employees are adequately insured against health and occupational hazards, whilst medical facilities or alternatives are offered to all staff.

Corporate Social Responsibility

The Company has always maintained a high level of social responsibility, with a strong desire to positively impact the host community. Our mission, to provide affordable housing finance to enable people to own their own homes, stems from our dream to fulfil this social responsibility. We continuously engage in charitable acts to help the less privileged, such as sponsoring events those afflicted with Down syndrome.

Sustainable and Environmental Issues

The Company conducts its business in a manner that protects the health and safety of all stakeholders. The Board and Management pay particular attention to ensuring that we continually strive to improve occupational health and safety performance, through close cooperation between management, employees and developers/customers, where applicable. We are therefore very delighted to report that last year there were no recorded cases of incidents in our operations.

We will always strive to ensure safe working conditions, equipment and work sites where applicable. We will continue to promote employee involvement and accountability in identifying, preventing and eliminating hazards and risks of injury.

We are committed to:

- Incorporating Organizational Health and Safety (OH&S) considerations into all aspects of our management practices;
- Managing operations to meet all applicable OH&S laws and regulations and company policies;
- Identifying and assessing potential injury risks and implementing appropriate measures to eliminate or control those risks if any;
- Establishing, communicating and enforcing, through employee involvement, work site-specific rules and safe work methods;
- Promoting and developing safe behaviours, awareness, leadership and accountability of our employees in health and safety through their involvement in continual improvement processes;
- Measuring our health and safety performance in accordance with established standards;
- Ensure that all our financed projects meet legal and group environmental, health and safety requirements;
- Ensure that management systems are effective in maintaining standards and fulfilling the challenge of securing continuous improvements in environmental, health and safety performance;
- Ensure accountability by holding corporate management and senior executives responsible for Environmental, Health and Safety (EHS) performance;
- Provide financial and human resources to allow EHS to be given an appropriate level of priority in our financed projects;
- Ensure that all our financed projects incorporate best practice and promote innovation through the operation of our financed customers to eliminate or minimize risks to health, safety and the environment;

Our employees share in this responsibility and are accountable for the successful implementation of this policy. Management is empowered to curtail operations, as necessary, to prevent serious adverse impacts on health, safety and environmental issues.

**ENTERPRISE RISK MANAGEMENT POLICY
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. Enterprise Risk Review

Abbey Building Society Plc (the “Company”) has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes and procedures.

The evolving nature of risk management practices and the dynamic character of the mortgage banking industry necessitate regular review of the effectiveness of each enterprise risk management component.

The Company operates an “Enterprise-wide” Risk Management Framework with the objective of managing all aspects of risk within the organisation. The Company’s operations require identification, measurement, aggregation and effective management of risks and efficient utilisation of capital to derive an optimal risk and return ratio. Risk management is at the core of the operating structure of the Company. The most important risk categories the Company is exposed to are credit, liquidity, operational, regulatory, reputational, legal and strategic risks.

The Company has developed an effective enterprise risk management framework that allows us to balance the level of risk taken with our business objectives to achieve sustainable and consistent performance over the long term.

The Board of Directors (the “Board”) determine the Company’s set objectives in terms of risk by issuing risk policies which guides the Company’s daily operation in terms of assuming risks against expected rewards. These risk policies are detailed in the Enterprise Risk Management Framework. This framework is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and actively managing these risks in a cost-effective and efficient manner.

2. Risk Management Strategy

- The Company believes that risk management is the basis of a long lasting financial institution
- The Company will continue to adopt an enterprise-wide and integrated approach to risk management
- The Company’s risk profile will be managed to ensure that specific financial deliverables remain possible under a range of adverse business conditions
- Risk management is governed by well-defined policies and shared responsibilities which are clearly communicated across the Company
- There is clear segregation of duties between market facing business units and risk management functions
- The Company will optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;

The Company’s approach is to provide direction on:

- understanding the principal risks to achieving organisation strategy;
- establishing risk appetite; and
- establishing and communicating the risk management framework.

The process is then broken down into five steps: identify, assess/measure, control, report and manage/challenge.

In addition to supporting transaction decisions, the measurement and control of credit, market, operational and other risks have considerable influence on the Company’s strategy.

3. Risk Appetite

Risk appetite is defined as the level of risk that the Company is prepared to sustain whilst pursuing its business strategy, recognising a range of possible outcomes as business plans are implemented. It sets the quantum and types of risk that the Company is prepared to take on the basis of its risk management competencies, strategy and core values by relating the level of risk the Company decides to take to the level of capital required to support it. The risk appetite of the Company is ultimately approved by the Board.

ENTERPRISE RISK MANAGEMENT POLICY - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013

Taken as a whole, risk appetite provides a basis for the allocation of risk capacity across the Company's business lines.

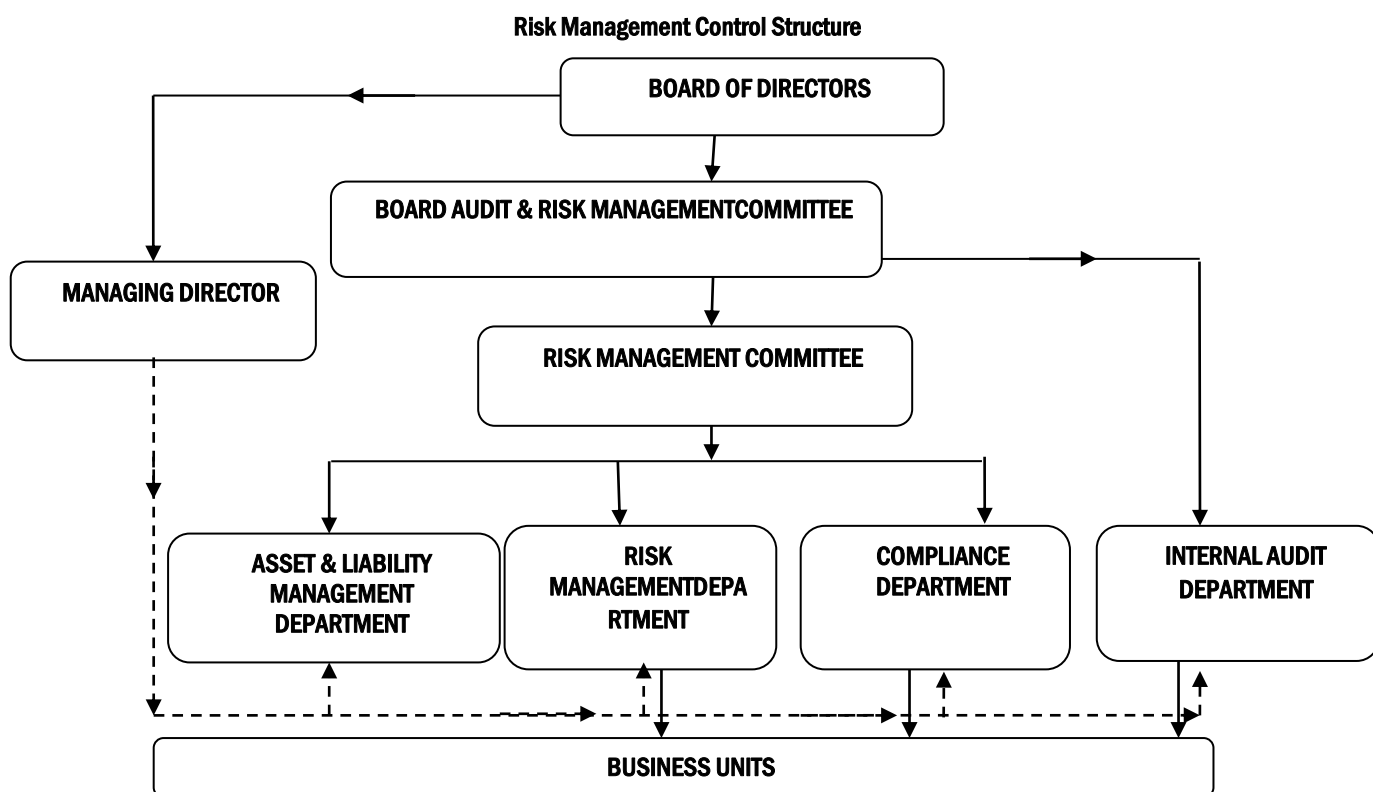
4. The Company Risks Scope

The risks that are managed by the Company are as follows:

- Credit Risk
- Capital Risk
- Operational Risk
- Liquidity and Funding Risk
- Regulatory Compliance Risk
- Legal Risk
- Reputational Risk
- Strategic Risk

5. Risk Management Approach

The Company addresses the challenges and opportunities of risk through an enterprise-wide risk management framework by applying practices that is supported by a governance structure consisting of the Board and executive management committees. The Board drives the risk governance and compliance process through its committees. The Audit and Risk committee provides oversight on the systems of internal control, financial reporting, risk management and compliance. The Credit Committee reviews the credit policies and approves all loans above the defined limits for executive Management.



Responsibility for risk management resides at all levels within the Company, from the Board of Directors and the Executive Management Committee down through the Company to each business manager.

The Company distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, risk oversight committees, internal audit, the independent risk function, the Board Audit & Risk Committee and, ultimately, the Board of Directors.

ENTERPRISE RISK MANAGEMENT POLICY - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013

The Board is responsible for approving risk appetite, which is the level of risk it has chosen to take in pursuit of its business objectives. The Head of Risk regularly presents a report to the Board Audit & Risk Committee summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework (Control Framework). It oversees the management of the most significant risks through the regular review of risk exposures and related key controls. Executive management responsibilities relating to this are set via the Risk Policy.

Responsibilities of Board Committees involved with risk governance include:

- Monitor the organisation's risk profile against the agreed appetite. Where actual performance differs from expectations. The actions being taken by the management are reviewed.
- Review the system in place for monitoring risk, internal controls and compliance with applicable regulations and also review the integrity, reliability and accuracy of accounting and financial reporting systems in the Company.
- Develop specific strategies that will help the company achieve its vision of being the number one Primary Mortgage Bank in Nigeria.
- Ensure that governance principles are well communicated and internalised by all in the Company.

A number of the Board committees have delegated specific responsibilities to management committees.

Risk Management Committee (RMC)

The Risk Management Committee (RMC) has oversight responsibility for all risk categories in the Company.

Responsibilities:

- Review risk limits, policies and management framework and recommend amendments (where appropriate) to the Board Risk Management Committee.
- Recommend that the Board approve the methodology of calculating the level of risk and allocation of limits based on recommendations Risk Management
- To review and approve the Risk Framework on an annual basis.
- Receive and review monthly reports on the Company's Risk Profile, including the Top 20 Inherent Risks, the Top 20 Residual Risk after Controls, and the associated management actions resulting from the review.
- Receive and review half yearly reports on Business Continuity Management and Disaster Recovery Planning, including internal and external benchmarking, and test preparation results.
- Receive and review monthly Risk Reports covering losses, near misses, abnormal gains/profits, reputation risk, quantification of operational risk and capital.
- Act as a coordinating body for capturing and controlling organisational risks and making recommendations to the Board Risk Committee for the allocation of resources (financial or otherwise).

Asset and Liability Management Committee (ALCO)

Responsibilities:

1. Monitor and control all market, liquidity risk and interest rate risk across the Company in accordance with the risk appetite set by the Board of Directors;
2. Review limit, guideline or trigger breaches and agree remedial actions in order to align exposures with agreed appetite;
3. Approve Market Risk, Liquidity Risk and Interest Rate Risk Policies for the Company;
4. Review and note the impact of internal and external factors on the net interest margin; and
5. Recommend to the Board, policies and guidelines under which the Company will manage matters listed below, and in so doing protect the Company's capital base and reputation:

ENTERPRISE RISK MANAGEMENT POLICY - *Continued*
FOR THE YEAR ENDED 31 DECEMBER 2013

6. Balance Sheet growth:

- Deposits, Advances and Investments;
- Non-earning assets
- Market and Liquidity Management.
- Capital Management

**Compliance
Responsibilities:**

- Develop and review anti-money laundering (“AML”) compliance policy/manual
- Regular review and approval of customers’ accounts opening/reactivation to ensure it meets Know Your Client (“KYC”) requirements.
- Monitoring of regulations, laws, circulars and policies issued by regulators for banks and other financial institutions to ensure compliance.
- Rendition of money laundering reports such as Currency Transaction Report (CTR), Suspicious Transaction Report (STR) and Politically Exposed Persons Transaction Report (PEP) to CBN and Nigerian Financial Intelligence Unit (“NFIU”) monitoring the Company’s activities to ensure compliance to prudential requirements stipulated in CBN prudential guidelines.
- Conducting investigation into customer complaints on service issues, transaction errors and other irregularities and prompt resolution of these complaints.
- Monthly rendition of customers’ complaints report to Central Bank of Nigeria.
- Ensuring that the Company’s regulatory returns are sent promptly to CBN, NDIC, CAC, SEC, NSE and other relevant regulatory bodies.
- Coordinating the training of staff in AML/Counter Terrorism Financing awareness, detection method and reporting requirements

**Business Units
Responsibilities**

Business Units and their staff, as primary risk owners/managers, are responsible for the day-to-day identification, mitigation, management and monitoring of risks within their respective functions.

Business Units and their staff are also responsible for the following:

- Implementing the Company’s risk management strategies;
- Managing day-to-day risk exposures by using appropriate procedures and controls in line with the Company’s risk management framework;
- Identifying risk issues and implementing remedial action to address these issues; and
- Reporting and escalating material risks and associated issues to appropriate authorities.

**Internal Audit
Responsibilities**

Internal Audit is responsible for the independent review of risk management and the control environment. Its objective is to provide reliable, valued and timely assurance to the Board of Directors and Executive Management over the effectiveness of controls, mitigating current and evolving high risks and in so doing enhancing the controls culture within the Company. The Board Audit Committee reviews and approves Internal Audit’s plans and resources, and evaluates the effectiveness of Internal Audit. An assessment by external advisers is also carried out periodically.

The Company approaches and views risk not only as an uncertainty, but also as a potential opportunity to develop new frontiers in the Mortgage Banking Industry.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

In accordance with the provisions of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of annual financial statements, which give a true and fair view of the financial position of the Company at the end of the financial year and of the financial results for the year then ended.

The responsibilities include ensuring that:

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the requirements of the provisions of the Financial Reporting Council Act of Nigeria 2011 and the requirements of the Companies and Allied Matters Act of Nigeria 2004.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Company and of its financial results.

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 control.

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

BY ORDER OF THE BOARD OF DIRECTORS

ROSE ADA OKWECHIME (MRS.)
Managing Director/CEO
FRC/2013/CIBN/00000003444

CHIEF I FEANYICHUKWU OCHONOGOR
CHAIRMAN, BOARD OF DIRECTOR
FRC/2013/ICAN/00000003485

13 March 2014

ABBHEY BUILDING SOCIETY PLC

CERTIFICATION

**Pursuant to section 60(2) of the Investments and Securities Act No. 29 of 2007
FOR THE YEAR ENDED 31 DECEMBER 2013**

We the undersigned hereby certify the following with regard to the audited financial statements for the year ended 31 December 2013:

- a. We have reviewed the report;
- b. To the best of our knowledge, the report does not contain:
 - i. Any untrue statement of a material fact, or
 - ii. Omit to state a material fact, which would make the statements, misleading in the light of the circumstances under which such financial statements were made;
- c. To the best of our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Company as of, and for the years presented in the report.
- d. We:
 - i. Are responsible for establishing and maintaining internal controls.
 - ii. Have designed such internal controls to ensure that material information relating to the Company is made known to officers within the Company particularly during the period in which the periodic reports are being prepared;
 - iii. Have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
 - iv. Have presented in the report of the audit committee our conclusions about the effectiveness of the Company's internal controls based on our evaluation as of that date;
- e. We have disclosed to the auditors of the Company and Audit Committee:
 - i. All significant deficiencies in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarise and report financial data and have identified for the Company's auditors any material weakness in internal controls, and
 - ii. Any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;
- f. We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

ROSE ADA OKWECHIME
FRC/2013/CIBN/00000003444
Managing Director/CEO

OLABISI AJEIGBE
FRC/2013/ICAN/00000002814
Financial Controller

ABBHEY BUILDING SOCIETY PLC

REPORT OF THE AUDIT COMMITTEE

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, we have reviewed the financial statements for the year ended 31 December 2013 as follows:

- We have exercised our statutory functions and powers as provided by the Articles of Association of the Company and the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004 and acknowledge the co-operation of management staff in the conduct of our responsibilities.
- We are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices and that the scope of planning of both the external and internal audits for the year ended 31 December 2013 were satisfactory and complied with the Company's system and internal control.
- We have reviewed the findings on management matters in conjunction with the external auditors and departmental responses thereon;
- As required by the provisions of the Central Bank of Nigeria Circular 851D/2004 dated 18 February 2004 on "Disclosures of Insider-Related Credits in Financial Statements" we reviewed the insider-related credits of the Company and found them to be as analysed on in the financial statements as at 31 December 2013.

Dr.UdoUdo-Aka, Mon
Chairman, Audit Committee

Members of the Audit Committee

Dr, UdoUdo-Aka, MON
Prince (Engr.) MOT O. Tobun
Mr. Matthias MenyelumAdaba
Mazi Emmanuel Kanu O. Ivi
Air Vice Marshal OlufemiSoewu (Retired)
Chief Rufus AremuOlashoju

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBAY BUILDING SOCIETY PLC

Report on the financial statements

We have audited the accompanying financial statements of Abbey Building Society Plc., which comprise the Statement of Financial Position as at 31 December 2013, and the Statement of 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 set out in pages 25 – 28 and 30 - 100.

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, the Financial Reporting Council of Nigeria ("FRCN") Act No.6 2011 and relevant Central Bank of Nigeria circulars and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Abbey Building Society Plc. as at 31 December 2013, 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, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria, the FRCN Act No.6, 2011 and relevant Central Bank of Nigeria circulars.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ABBEY BUILDING SOCIETY PLC - *Continued***

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 Company, so far as it appears from our examination of those books;
- iii) the Company's statements of financial position and comprehensive income are in agreement with the books of account.

In compliance with BOFIA and circulars issued by CBN:

- 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.
- ii. Related party transactions and balances are disclosed in Note 37 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.
- iii. No contravention of the provisions of the Bank and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and CBN circular was brought to our attention during the audit of the financial statements for the year ended 31 December 2013.

Kayode Famutimi, FCA, FRC2013/ICAN/00000000155
For: Ernst & Young
Lagos, Nigeria
31 March 2014

ABBNEY BUILDING SOCIETY PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 ₦'000	2012 ₦'000
Interest and similar income	5	818,995	1,762,553
Interest and similar expense	6	(439,084)	(443,785)
Net interest income		379,911	1,318,768
Fees and commission income	7	175,047	73,115
Gain on revaluation of investment property at fair value	19	289,253	197,021
Other operating income	9	37,664	87,544
Total operating income		881,875	1,676,448
Impairment charge on loans and advances	10	(64,133)	(440,579)
Impairment charge on available for sale investment	17.1	-	(4,040)
Other impairment credit/(charge)	10.1	267	(267)
Net operating income		818,009	1,231,562
Personnel expenses	11	(362,248)	(372,591)
Depreciation	20	(75,507)	(68,358)
Amortisation	21	(7,951)	(6,262)
Other operating expenses	11.1	(844,880)	(479,025)
Total operating expenses		(1,290,586)	(926,236)
(Loss)/profit before taxation		(472,577)	305,326
Income tax expense	12	(36,023)	(86,351)
(Loss)/profit for the year		(508,600)	218,975
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net loss on financial investments		-	(4,040)
Reclassification of net loss to income statement		-	4,040
Total comprehensive (loss)/income for the year, net of tax		(508,600)	218,975
		=====	=====
(Loss)/profit attributable to equity holders of the Company		(508,600)	218,975
(Loss)/earnings per share (Kobo) - Basic and Diluted	13	(12.11)	5.21

The accompanying notes in pages 30 to 100 form part of these financial statements.

ABBAY BUILDING SOCIETY PLC

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Notes	2013 N'000	2012 N'000
Assets			
Cash and balances with central bank	14	22,713	25,422
Due from banks	15	1,553,572	2,781,533
Loans and advances	16	7,311,080	7,127,250
Financial Investments - available for sale	17	2,500	2,500
Other assets	18	127,869	130,138
Investment properties	19	-	2,977,150
Property and equipment	20	1,236,005	1,237,005
Intangible assets	21	26,255	34,206
Non-current assets held for sale	22	3,285,150	-
Total assets		13,565,144	14,315,203
		=====	=====
Liabilities and equity			
Due to customers	23	4,918,836	4,147,111
Current income tax liability	12.3	35,390	26,108
Borrowings	24	825,245	1,855,782
Other liabilities	25	175,174	142,398
Due to the National Housing Fund	26	462,773	489,146
Deferred tax liabilities	27	433,750	432,082
Total Liabilities		6,851,168	7,092,627
		=====	=====
Equity			
Share capital	28.2	2,100,000	2,100,000
Share premium		2,877,126	2,877,126
Retained earnings	30	750,821	1,680,927
Statutory reserve	31	298,440	298,440
Regulatory risk reserve	33	687,589	266,083
Total equity		6,713,976	7,222,576
		=====	=====
Total liabilities and equity		13,565,144	14,315,203
		=====	=====

The financial statements were approved by the Board of Directors on **13 March 2014**, and signed on its behalf by:

Mrs Rose Ada Okwechime
Managing Director/CEO
FRC/2013/CIBN/00000003444

Chief Ifeanyichukwu Ochonogor
Chairman, Board of director
FRC/2013/ican/00000003485

The accompanying notes in pages 30 to 100 form part of these financial statements.

ABBAY BUILDING SOCIETY PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Share premium	Statutory reserve	Available for sale reserve	Regulatory risk reserve	Retained earnings	Total equity
	Note 28		Note 31		Note 33	Note 30	
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance as at 1 January 2012	2,100,000	2,877,126	254,645	-	150,295	1,621,535	7,003,601
Profit for the year						218,975	218,975
Other comprehensive income for the year	-	-	-----	(4,040)	-	-	(4,040)
Reclassification to income statement	-	-	-	4,040	-	-	4,040
	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income for the year attributable to shareholders						218,975	218,975
Transfer storeserves (Notes 30 and 33)	-	-	43,795	-	115,788	(159,583)	-
	-----	-----	-----	-----	-----	-----	-----
Balance as at 31 December 2012 / 1 January 2013	2,100,000	2,877,126	298,440	-	266,083	1,680,927	7,222,576
Loss for the year	-	-	-	-	-	(508,600)	(508,600)
Transfer to regulatory risk reserve (Note 33)	-	-	-	-	421,506	(421,506)	-
	-----	-----	-----	-----	-----	-----	-----
Balance as at 31 December 2013	2,100,000	2,877,126	298,440	-	687,589	750,821	6,713,976
	=====	=====	=====	=====	=====	=====	=====

The accompanying notes in pages 30 to 100 form part of these financial statements.

ABBAY BUILDING SOCIETY PLC

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 ₦'000	2012 ₦'000
Cash flows from operating activities			
(Loss)/profit before taxation		(472,577)	305,326
Change in operating assets	34.1	(528,954)	(564,951)
Change in operating liabilities	34.2	778,128	540,949
Other non-cash included in (loss)/profit before taxation	34.3	141,412	505,955
Gain from investing activities	34.4	(2,453)	(2,571)
Income tax paid	12.3	(25,073)	(38,221)
		-----	-----
Net cash flows (used in)/ from operating activities		(109,517)	746,487
Cash flows from investing activities			
Purchase of investment property	19	(7,497)	(132,912)
Proceeds on disposal of investment property		-	79,001
Proceeds on disposal of property and equipment		2,640	500
Purchase of property and equipment	20	(85,946)	(236,481)
Proceeds on disposal of equity shares		-	10,160
Purchase of intangible assets	21	-	(14,755)
		-----	-----
Net cash flows used in investing activities		(90,803)	(294,487)
		=====	=====
Cash flows from financing activities			
Repayments of borrowings		(1,030,537)	(545,658)
		-----	-----
Net cash flows used in financing activities		(1,030,537)	(545,658)
		=====	=====
Net decrease in cash and, cash equivalents		(1,230,857)	(93,658)
Net foreign exchange difference		187	953
Cash and cash equivalents at beginning of year		2,790,957	2,883,662
		-----	-----
Cash and cash equivalents at end of year	34	1,560,287	2,790,957
		=====	=====

The accompanying notes in pages 30 to 100 form part of these financial statements.

ABBNEY BUILDING SOCIETY PLC

**STATEMENT OF REGULATORY RISK RESERVE
AS AT 31 DECEMBER 2013**

The Regulatory Body CBN/National Deposit Insurance Commission (NDIC) stipulates that provisions for loans recognized in the profit or loss account shall be determined based on the requirements 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 retained earnings to a non-distributable regulatory reserve.
- (ii) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory risk reserve account to the retained earnings to the extent of the non-distributable reserve previously recognized.

	2013 N'000	2012 N'000
Regulatory risk reserve:		
Balance at beginning of year	266,083	150,295
Transfer from Retained Earnings	421,506	115,788
	-----	-----
Balance at end of year	687,589	266,083
	=====	=====

STATEMENT OF PRUDENTIAL ADJUSTMENTS

	2013 N'000	2012 N'000
Prudential Guidelines Provision:		
General	56,939	41,256
Specific	1,607,917	1,143,952
	-----	-----
	1,664,856	1,185,208
	-----	-----
IFRS Provisions:		
Specific Impairment	120,486	118,835
Collective Impairment	856,781	800,290
	-----	-----
	977,267	919,125
	-----	=====
IFRS impairment allowance lower than prudential provision	687,589	266,083
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

1 General information

These financial statements are the financial statements of Abbey Building Society Plc. (the “Company”), a public limited liability company incorporated and domiciled in Nigeria on 26 August 1991. The Company obtained its licence to operate as a mortgage bank on 20 January 1992 and commenced business on 11 March 1992. It was later converted to a public limited liability company in September 2007. On 21 October 2008, the Company became officially listed on the Nigerian Stock Exchange.

The principal activities of the Company are the provision of mortgage services, financial advisory, and real estate construction finance.

For the earlier years of its operations, the Company specialized in funding small and medium size businesses. In the last few years, the Company has started to implement a mortgage financing strategy in line with its strategic vision to become “the number one mortgage service provider in Nigeria”. The Company currently has 138 staff in eight (8) branches and the Head Office.

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 13 March 2014.

2.1 Basis of preparation

A Statement of Compliance

These financial statements of the Company are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements for the year ended 31 December 2012 were the first financial statements the Company has prepared in accordance with IFRS. Additional information required by national regulations is included where appropriate.

B Basis of Measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are carried at fair value.

C Functional and Presentation Currency

These financial statements are presented in Naira which is the Company's functional and presentational currency. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest thousand.

D Use of Estimates and Judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.2 (F) (VI).

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor'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 reviewed by the Credit Committee.

A collective component of the total allowance is established for:

- Groups of homogeneous loans that are not considered individually significant and
- Groups of assets that are individually significant but were not found to be individually impaired (IBNR).

Collective allowance for groups of homogeneous loans is established using 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.

Collective allowance for group of assets that are individually significant but that were not found to be individually impaired cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar credit characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, 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 estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

(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 valuation techniques. 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.

(iii) Useful lives and carrying value of property and equipment

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 and equipment will have an impact on the carrying value of these items.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

(iv) Determination of impairment of property and equipment, and intangible assets

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 Company 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.

(v) Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed under note 2.2(F) (ix)

The Company measures fair values using the following hierarchy of methods.

- Level 1: Quoted market price 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 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: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data(unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product.
These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes investment securities.

(vi) Valuation of investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date .Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

(vii) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies (See Note 12). Tax losses can be used indefinitely.

2.2 Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied by the Company and to all periods presented in the financial report.

A Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognized or included in a previous financial report, are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Translation differences on non-monetary items, such as derivatives measured at fair value through profit or loss, are reported as part of the fair value gain or loss on these items, using spot exchange rates at the date when the fair value was determined.

Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

B Interest

Interest income and expense are recognised in profit or loss using the effective interest rate ('EIR') 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 carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

Interest income and expense presented in the statement of comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.
- Interest on available-for-sale investment securities calculated on an effective interest basis.
- Fair value changes in qualifying derivatives.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in the net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss are presented in net income from other financial instruments at fair value through profit or loss in the statement of comprehensive income.

C Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, the related loan commitment fees are recognised on a straight line basis over the commitment period.

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

D Dividend income

Dividend income is recognized when the right to receive income is established. Usually, this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other operating income based on the underlying classification of the equity investment.

E Income tax expense

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

Additional taxes (WHT) that arise from the distribution of dividends by the Company are recognised at the same time as the liability to pay the related dividend is recognised.

F Financial assets and Financial Liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

i Recognition of financial assets

All financial assets and liabilities are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue except for financial instruments at fair value through profit or loss.

ii Classification and initial recognition of financial assets

The Company classifies its financial assets into the following categories: loans and receivables, and available-for-sale financial assets. Management determines the classification of financial assets and liabilities at the time of initial recognition and the classification is dependent on the nature and purpose of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

Loans and receivables

Loans and receivables include loans and advances to corporate bodies and customers originated by the Company which are not classified as either held for trading or designated at fair value. Loans and receivables are recognized when cash is advanced to a borrower. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost, using the EIR method less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of EIR. The EIR amortization is included in interest income in the statement of comprehensive income. The losses arising from impairment are recognized in the profit or loss on a separate line.

Available-for-sale ("AFS") investments

Available-for-sale assets are non-derivative financial assets that are classified as available for sale and are not categorized into the other category described above. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. AFS financial assets are initially measured at fair value plus direct and incremental transaction costs and subsequently measured at fair value with Unrealised gains or losses recognised in Other Comprehensive Income (OCI) and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs.

Dividend on available for sale equity instruments are recognized in profit or loss when the Company's right to receive the dividend is established.

A financial asset classified as available for sale that would have met the definition of loans and receivables on initial recognition may only be transferred from the available for sale classification where the Company has the intention and the ability to hold the asset for the foreseeable future or until maturity. The fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded inequity is reclassified to the statement of profit or loss.

iii De-recognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and

consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

iv Classification and initial recognition of financial liabilities

Financial liabilities are initially measured at fair value, plus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially recognised at fair value. All financial liabilities are measured at amortised cost using the EIR method except for those classified as at fair value through profit or loss. Interest based on the effective interest rate method is recognised in profit or loss under finance costs.

v De-recognition of financial liabilities

The Company derecognises financial liabilities when, and only when its obligations are discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

vi Identification and measurement of impairment for loans and advances

At each reporting date the Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets. Although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio;
- National or local economic conditions that correlate with defaults on the assets in the portfolio

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, 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, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

vii Measurement of impairment loss for available for sale securities

At each reporting date, an assessment is made of whether there is any objective evidence of impairment in the value of a financial asset. Impairment losses are recognised 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 financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Company treats 'significant' generally as 25% and 'prolonged' generally as greater than six months.

Where such evidence exists, the difference between the financial asset's acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in profit or loss, is removed from equity and recycled through other comprehensive income in profit or loss.

Impairment losses for available-for-sale equity securities are recognised within 'Impairment losses on financial instruments' in the statement of comprehensive income.

Reversals of impairment of equity shares are not recognised in profit or loss, increases in the fair value of equity shares after impairment are recognised in other comprehensive income.

viii Collateral and netting

The Company obtains collateral where appropriate, from customers to manage their credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the Company a claim on these assets in the event that the customer defaults.

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from Companies or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

The Company's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

better to be sold are immediately transferred to assets held for sale at their fair value less costs to sell at the repossession.

The loan agreement provides that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position'.

ix Valuation of financial Instruments

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

The main assumptions and estimates which management consider when applying a model with valuation techniques are:

- The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates;
- Selecting an appropriate discount rate for the instrument. The determination of this is based on the assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate rate; and
- Judgement to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

When applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments are based on some market observable inputs even when unobservable inputs are significant.

Given the uncertainty and subjective nature of valuing financial instruments at fair value, it is possible that the outcomes in the next financial year could differ from the assumptions used, and this could result in a material adjustment to the carrying amount of financial instruments measured at fair value.

G Cash and cash equivalents

For the statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with other financial institutions, other short-term, highlyliquid investments with original terms to maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*

H Property and equipment

i Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of the relevant property and equipment includes and is made up of expenditures that are directly attributable to the acquisition of the assets. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they were incurred.

Construction cost in respect of offices is carried at cost as capital work-in-progress. On completion of construction, the related amounts are transferred to the appropriate category of property and equipment. Payments in advance for items of property and equipment are included as prepayments in other assets and upon delivery are reclassified as additions in the appropriate category of property and equipment. No depreciation is charged until the assets are available for use.

ii Subsequent costs

The cost of replacing a part of an item of property 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 Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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iii Depreciation

Depreciation is provided on the depreciable amount of items of property and equipment on a straight-line basis over their estimated useful economic lives. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its useful economic life. Work in progress is not depreciated.

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

Leasehold improvements	3 years
Buildings	50 years
Furniture and equipment	10 years
Computer equipment	5 years
Motor vehicles	4 years

Depreciation rates, methods and the residual values underlying the calculation of depreciation of property and equipment are kept under review to take account of any change in circumstances, and adjusted prospectively, if appropriate.

When deciding on depreciation rates and methods, the principal factors the Company takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the Company estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

Property and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

iv De-recognition

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

v Gain or loss on sale of property and equipment

The gain or loss on the disposal or derecognition of property and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is recognized as an item of other operating income or expense in the year in which the significant risks and rewards of ownership are transferred to the buyer.

I Investment Properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Company in the financial year, are classified as investment properties. Investment properties include residential projects constructed with the aim of leasing out to tenants.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair values, with changes in fair value being recognised in profit or loss in the period in which they arise, including the corresponding tax effect. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

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The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is obtained from professional third party valuers contracted to perform valuations on behalf of the Company.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the in other operating income or expenses in profit and loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

J Intangible assets

Intangible assets consist of computer software and costs associated with the development of software for internal use. Computer software is stated at cost, less amortisation and accumulated impairment losses, if any. Costs that are directly associated with the production of identifiable and unique software products, which are controlled by the Company and which will probably generate economic benefits exceeding costs are recognized as intangible assets. These costs are amortised on the basis of expected useful lives of the software which range from three to five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively if appropriate. Costs associated with maintaining software programs are recognized as expenses in the income statement when incurred.

K Impairment of tangible and intangible assets

At each reporting date, or more frequently where events or changes in circumstances dictate, tangible and intangible assets, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which management monitors the return on investment on assets. The impairment review includes the comparison of the carrying amount of the asset with its recoverable amount. The recoverable amount of the asset is the higher of the asset's or the cash-generating unit's fair value less cost to sell and its value in use. Fair value less cost to sell is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets.

The carrying values of tangible and intangible assets are written down by the amount of any impairment and this loss is recognised in profit or loss in the year in which it occurs. In subsequent years, the Company assesses whether indications exist that impairment losses previously recognized for tangible and intangible assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognized in other operating income as an impairment reversal. An impairment reversal is recognized only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred.

L Borrowing costs

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest expense in the profit or loss.

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M Provisions and contingent liabilities

Provision are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the income statement.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

N Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Other than where the fair value option is applied, subsequent to initial recognition, the Company liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation recognised in the income statement profit or loss, and the best estimate of the expenditures required to settle the obligations. Commission and fees charged to customers for services rendered in respect of financial guarantees are recognised at the time the services or transactions are effected.

Any increase in the liability relating to financial guarantees is recorded in the income statement in credit loss expense.

O Employee benefits

i Post-employment benefits

The Company operates a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

For defined contribution plans, the Company recognises contributions due in respect of the accounting period in profit or loss. Any contributions unpaid at the reporting date are included as a liability.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

ii Short term employee benefits

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accrual basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in profit or loss in personnel expenses.

P Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Premiums from the issue of shares are reported in share premium.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends declared after the reporting dates are dealt with in the subsequent period.

Q Equity reserve

The reserves recorded in equity (Other comprehensive income) on the Company's statement of financial position include:

Available-for-sale reserve comprises changes in fair value of available-for-sale investments.

Regulatory risk reserve details the difference between the impairment on loans and advances computed based on the Central Bank of Nigeria Prudential Guidelines compared with the incurred loss model used in calculating the impairment under IFRS.

Statutory reserve details un-distributable earnings required to be kept by the nation's central bank in accordance with the national law.

R Earnings per share

Basic earnings per share is calculated by dividing net profit or loss after tax applicable to equity holders of the Company, excluding any costs of servicing other equity instruments, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effective interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

S Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

Company as a lessee

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost in profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

T Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

In the statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

U Fair value measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. 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 to by the Company. 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

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company 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 inputs.

2.3 ADOPTION OF NEW AND REVISED STANDARDS

(i) New and amended standards adopted by the Company

Below are the IFRSs and IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have an impact on the Company.

(a) IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint arrangements, IAS 28 - Investment in Associates and IFRS 12 - Disclosures of Interest in Other Entities

No impact is expected on the financial statements as the Company does not control other companies.

(i) IFRS 10 Consolidated Financial Statements

IFRS 10 replaces all of the consolidation guidance of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new standard changes the definition of control such that it can only be present when there is (i) power, (ii) exposure to variability in returns and (3) ability to use the power to affect returns. Consolidation will only be required when all the three criteria are met. IFRS 10 is effective for annual periods beginning on or after 1 January 2013. The amendments have been applied retrospectively, the Company does not have any entity which would result to a loss of controls or an existence of a control relationship based on the requirement of the new standard. The application of the amendments will not impact on the accounting policies of the financial statements as the Company does not control other companies.

(ii) IFRS 11 Joint Arrangements

"IFRS 11 overhauls the accounting for joint ventures and replaces IAS 28 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non Monetary Contributions by Ventures. It uses the principles of control in IFRS 10 in defining joint control and whether joint control exists may change. Under IFRS 11, there are only two types of joint arrangements (i) Joint operations (ii) Joint ventures. The new standard does not allow proportional consolidation of joint ventures and the equity method must be applied. IFRS 11 is effective in annual periods beginning on or after 1 January 2013. The amendments have not been applied retrospectively; the Company does not have any joint arrangement relationship. The application of the amendments had no impact on the disclosures or the amount recognised in the financial statements.

(iii) IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associated entities, structured entities and other balance sheet vehicles. Changes include the requirement to disclose the judgements made to determine whether it controls another entity and other more extensive disclosures in the consolidated financial statements. IFRS 12 is effective in annual periods beginning on or after 1 January 2013. The application of IFRS 12 has not resulted in any disclosures in the Company financial statements as at 31 December 2013 and no impact is expected on the financial statements as the Company does not have interest in any other entity.

(b) IFRS 13 Fair Value Measurement

IFRS 13 provides a single source of guidance on how fair value is measured and disclosed, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs, this is applicable to both financial and non-financial instruments. The exceptions include leasing transactions within the scope of IAS 17 - Leases, IFRS 2 - Share based payments and some measurements with similarities to fair value

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

but are not fair value e.g. value in use for impairment assessment purpose or net realisable value for measuring inventories. The fair value of financial instruments are based on the observable price for each instrument i.e. 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.

IFRS 13 requires prospective application from 1 January 2013, specific transition provision was also granted to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the application of this standard. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The Company currently uses observable market data for determining fair values Adoption of this standard has been implemented.

(c) IAS 1 Presentation of Financial Statements

IAS 1 addresses changes in the presentation of Other Comprehensive Income. The amended standard retains the option to present either a single statement or as two separate statements. The amendments also include new terminologies whose use is not mandatory. Under IAS 1 amended, the statement of comprehensive income is renamed as the statement of profit or loss and other comprehensive income and the income statement is renamed as the statement of profit and loss. The company continue to adopt the single statement approach.

The amendments to IAS 1 also require items of other comprehensive income be grouped into two categories (a) Items that may be subsequently reclassified in the profit and loss account when specific conditions are met (b) Items that will not be subsequently reclassified to profit and loss account. Income tax on items in other comprehensive income should also be allocated in the same manner. The amendment did not remove the option to report the items in other comprehensive income before or net of tax. This standard is applicable for annual periods beginning on or after 1 July 2012. The application of IAS 1 (amended) resulted in split of other comprehensive income into items that may be subsequently reclassified and items that will not be subsequently reclassified.

(d) IAS 32 (amended) Financial Instruments: Presentation

The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity. The amended IAS 32 is effective for periods beginning on or after 1 January 2013. The amendments have been applied retrospectively. The amendments had been applied with no significant effect on the financial statements.

(e) IAS 19 Employee benefits

The amended IAS 19 states that changes in the defined benefit obligation and fair value of plan assets are recognised in the period as they occur. The "corridor" method is eliminated and actuarial gains and losses and unrecognised past service costs are recognised directly in other comprehensive income. Because actuarial gains and losses are no longer deferred, affecting both the net defined benefit liability/asset and the amounts recognised in profit or loss are affected. The amended standard splits changes in defined benefit liabilities/assets in:

- Service cost (including past service costs, curtailments and settlements) – in profit or loss;
- Net interest costs (i.e. net interest on the net defined benefit liability) – in profit or loss;
- Re-measurement of the defined benefit liability/asset – in other comprehensive income.

(f) Amendments to IFRS 7 on offsetting financial assets and financial liabilities (2011)

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

Disclosures- Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduce disclosures about the impact of right of offsets and related arrangements for financial instruments under a master netting or similar arrangements. The amendments are effective for annual periods beginning on or after 1 January 2013. The amendments are applied retrospectively, the company does not have offsetting arrangements in place as at 31 December 2013. The application of the amendments had no material impact on the disclosures or the amount recognised in the consolidated financial statements.

(g) Amendments to IAS 34, 'Interim financial reporting'

The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements. The amendments had been applied in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

(ii) New and amended standards effective from 1 January 2013 which do not impact on the Group

A number of standards, interpretations and amendments thereto, had been issued by the IASB which are effective but do not impact on these financial statements. Improvements to IFRSs (issued May 2012) by the IASB as part the 'annual improvements process' resulted in the following amendments to standards issued. These are summarised in the table below:

IFRS	Effective Date	Subject of amendment
Amendments to IFRS 1, 'First time adoption of IFRS'	1 January 2013	The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances and that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date. Lastly the amendment clarifies that a first-time adopter should provide the supporting notes for all statements presented.
Amendment to IAS 1, 'Presentation of financial statements'	1 January 2013	The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.
Amendment to IAS 16, 'Property, plant and equipment'	1 January 2013	The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
IFRIC 20 - Stripping costs in the production phase of a surface mine	1 January 2013	In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

(iii) New and amended standards and interpretations not yet adopted by the Company

As at 31 December 2013, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not yet effective for these financial statements. None of these standards have been early adopted. Below are the most significant new standards are addressed:

a IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2015)

"IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories of financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. However, dividends on such investments are recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investments. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

Furthermore, the IASB has published an amendment to IFRS 9, 'Financial Instruments' that delays the effective date until further notice. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

b Amendments to IAS 32 – Financial Instruments: Presentation (effective 1 January 2014)

The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

c IFRIC 21 - Levies (effective 1 January 2014)

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

d Amendments to IFRS 10 - Consolidated Financial Statements (effective 1 January 2014)

This amendment aims to define an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. At the date of initial application of the amendments, an entity assesses whether it is an investment entity on the basis of the facts and circumstances that exist at that date and additional transitional provisions apply.

e Amendments to IAS 36 - Impairment of Assets (effective 1 January 2014)

The IASB proposes to remove the requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant when compared to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. In addition, the IASB proposes to amend the requirement that an entity disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

3. Financial risk management

3.1 Introduction and overview

The Company defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Company's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by a central treasury department (Company Treasury) under policies approved by the Board of Directors. Company Treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Company is exposed are financial risks, which includes credit risk, liquidity risk and market risk (discussed in subsequent sections)

3.2 The key elements of the Company's risk management philosophy are the following:

- The Company considers sound risk management to be the foundation of a long-lasting financial institution.
- The Company continues to adopt a holistic and integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions.
- Risk officers are empowered to perform their duties professionally and independently without undue interference.
- Risk management is governed by well-defined policies that are clearly communicated across the Company.
- Risk management is a shared responsibility. Therefore, the Company aims to build a shared perspective on risks that is grounded in consensus.
- The Company's risk management governance structure is clearly defined.
- There is a clear segregation of duties between market-facing business units and risk management functions.
- Risk-related issues are taken into consideration in all business decisions. The Company shall continue to strive to maintain a conservative balance between risk and revenue considerations.
- Risks are reported openly and fully to the appropriate levels once they are identified.
- Risk officers work as allies and thought partners to other stakeholders within and outside the Company, and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.

3.3 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

Credit risk is the single largest risk for the Company business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

3.3.1 Credit risk measurement

In measuring credit risk of loans and advances to customers and to Company's at a counterparty level, the Company reflects the following components:

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

- The character and capacity to pay of the client or counterparty on its contractual obligations;
- Current exposures to the counterparty and its likely future development;
- Credit history of the counterparty; and
- The likely recovery ratio in case of default obligations – value of collateral and other ways out. The Company's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Company regularly validates the performance of the rating and their predictive power with regard to default events.

Collateral Risk Rating (CRR)/Facility Risk Rating (FRR)

- The Company does not lend to speculative grade obligors, on an unsecured basis. The Facility Risk Rating (FRR) is different from the Obligor Risk Rating (ORR) to the extent of the perceived value of enhancement provided.
- The Collateral Risk Rating grid indicates the acceptable collateral types rated 1 – 7 from best to worst in order of liquidity.

Collateral risk rating	Collateral type
1	Cash/Treasury bills
2	Marketable securities, guarantee/receivables of investment grade banks and corporates
3	Enforceable lien on fast-moving inventory in bonded warehouses
4	Legal mortgage on residential business real estate in prime locations A and B
5	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A and B
6	Equitable mortgages on real estates in any location
7	Letters of comfort or awareness, guarantee of non-investments grade banks and corporates

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

3.3.2 Risk limit control and mitigation policies

The Company manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and Company's, and to industries.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers, and to regional and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors.

Portfolio limits

The process of setting the limits is as follows:

- The Company engages in a detailed portfolio plan annually. In drawing up the plan, the Company reviews the macro-economic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. The Company's target loan portfolio is then distributed across acceptable target market industries, strategic business units and approved product programmes.
- Aggregate large exposure limit of not more than 20% of Company's shareholders' funds.
- Industry/economic sector limits are imposed on the Company's lending portfolio, in line with the following policies:
 - The Company's target market is companies operating in industries rated 'BB' or better unless on an exception basis.
 - The Company would strive to limit its exposure to any single industry to not more than 15% of its loan portfolio and such industry must be rated 'BBB' or better.

Geographical limits

Presently, the Company does not have any exposure to counterparties domiciled outside Nigeria. However, the Company has a fully developed country risk rating system that could be employed, should the need arise. In such eventuality, limits will be graduated on country risk rating.

Single obligor limits

- Limits are imposed on loans to individual borrowers. The Company as a matter of policy does not lend above its regulatory lending limit, which is 20% of its shareholders' funds unimpaired by losses. The internal guidance limit is, however, set at 20% for corporate customers and 5% for individual customers of its shareholders funds unimpaired by losses to a single borrower.
- Product programmes contain guidelines on single obligor limits.
- Except with the approval of the Board of Directors, the Company shall not lend more than:
 - **20%** of the Company's shareholders' funds to any company. Only companies rated 'A' or better may qualify for this level of exposure.
- The Company also sets internal credit approval limits for various levels in the credit process.
- Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the Company demand. Exposure to credit risk is also managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The Company also controls and mitigates risk through collateral.

Collateral

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and cash deposits.
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured, in addition, in order to minimise the credit loss, the Company will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below:

	31 December 2013 £'000	31 December 2012 £'000
Against individually impaired	2,879,759	2,867,946
Against neither past due nor impaired	12,646,181	10,090,207
Against past due but not impaired	667,470	374,600
	-----	-----
Total	16,193,410	13,332,753
	=====	=====
Against individually impaired		
Property	2,879,759	2,867,946
	-----	-----
Total	2,867,946	2,867,946
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

	31 December 2013 N'000	31 December 2012 N'000
Against neither past due nor impaired		
Property	12,206,214	9,644,816
Cash	439,967	445,391
	-----	-----
Total	12,646,181	10,090,207
	=====	=====
Against past due but not impaired		
Property	667,470	374,600
	-----	-----
Total	667,470	374,600
	=====	=====

3.3.3 Impairment and provisioning policies

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

3.3.4 Maximum exposure to credit risk before collateral held or credit enhancements

The Company's maximum exposure to credit risk at 31 December 2013 and 31 December 2012 respectively is represented by the net carrying amounts of the financial assets in the Statement of Financial Position excluding cash in hand.

3.3.5 Concentration of risks of financial assets with credit risk exposure

	2013 N'000	2012 N'000
Cash with central bank	15,748	15,748
Due from banks	1,553,572	2,781,533
Loans and advances	7,311,080	7,127,250
	-----	-----
	8,880,400	9,924,531
	=====	=====

ABBAY BUILDING SOCIETY PLC.**NOTES TO THE FINANCIAL STATEMENTS - *Continued***
31 DECEMBER 2013**(a) Geographical sectors**

The following table breaks down the Company credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region. For this table, the Company has allocated exposures to regions based on the state of domicile of its counterparties.

	2013	2012
	₦'000	₦'000
Cash with central bank – Head office	15,748	15,748
Due from banks – Head office	1,553,572	2,781,533
Loans and advances:		
Head Office	4,708,527	4,759,307
Apapa	410,897	566,582
Festac	541,650	480,895
Okota	95,508	64,047
LasuOjo	53,804	54,054
Asaba	146,442	47,836
OtoAwori	15,634	7,231
Abuja 1	771,067	918,526
Abuja 2	678,424	1,106,642
Victoria Island	866,394	41,255
	-----	-----
	8,288,347	8,046,375
Impairment allowances for uncollectibility	(977,267)	(919,125)
	-----	-----
Net loans and advances	7,311,080	7,127,250
	-----	-----
Total financial assets	8,880,400	9,924,531
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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b) Industry sectors

The following table breaks down the Company credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Company counterparties.

	2013 N'000	2012 N'000
Government:		
Cash with central bank	15,748	15,748
Financial Services:		
Due from banks	1,553,572	2,781,533
Loans and advances		
Construction Loans	1,100,380	1,233,682
Loan and Advances	286,643	393,758
Mortgage FMBN bonds	17,102	21,691
Mortgage Home Loans	5,155,361	3,822,054
NHF Loans	495,129	503,261
School Loans	454,611	1,207,070
Staff Mortgage Loans	114,200	168,913
Staff Personal Loans	6,854	10,924
Staff Share Loan	658,067	684,906
Others	-	116
Total	8,288,347	8,046,375
Impairment allowances for uncollectibility	(977,267)	(919,125)
Net loans and advances	7,311,080	7,127,250
Total financial assets	8,880,400	9,924,531

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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3.3.6 Credit quality of financial assets

A primary element of our credit approval process is a detailed risk assessment of every credit associated with counter-party. Our risk assessment procedures consider both the credit worthiness of the counter-party and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures we apply to the on-going exposure.

We have our own in-house assessment methodologies and rating scale for evaluating the creditworthiness of our counter-parties. Our programmed 6-grade rating model was developed in line with foremost rating agencies in Nigeria, to enables us to compare our internal ratings with common market practice and ensures comparability between different portfolios of our institution. We generally rate all our credit exposures individually. The rating scale is as follows:

Credit Quality Ratings

Rating Grades:	Descriptions / Characteristics
AAA	Exceptional Credit with unquestionable quality, Good track record, Strong cash flow, Fully cash coverage
AA	Very High credit quality, Good payment record high Asset coverage ratio, Very Good management structure
A	Good credit quality with strong cash flow, Debt payment capacity, Good asset coverage, Good management structure
BBB	Satisfactory asset quality, Good debt capacity but low margin for debt servicing, Satisfactory character.
BB	Satisfactory asset quality, Good debt capacity but smaller margin for debit servicing, Satisfactory character, Employee public servants, Stable industrial sectors. Temporary repayment difficulties.
B	Limited debt capability, Modest debt service coverage, declining collateral quality. Few months repayment arrears, Satisfactory character of borrower, Employee public servants.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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(a) Financial assets neither past due nor impaired

The credit quality of the portfolio of loans and advances, cash and balances with central banks and debt securities that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Company (See below for an explanation of the internal rating system)

Loans and advances

	2013 N'000	2012 N'000
Grades:		
AAA	65,610	28,890
AA	1,070,948	206,402
A	2,316,234	21,465
BBB	592,136	3,395,613
BB	224,157	399,428
B	72,954	180,152
	-----	-----
	4,342,039	4,231,950
	=====	=====

(b) Financial assets past due but not impaired

Past due up to 90 days	521,182	274,260
Past due by 91- 180days	174,773	82,059
Past due 181-360days	378,292	18,095
	-----	-----
	1,074,247	374,414
	=====	=====

	2013 N'000	2012 N'000
(c) Financial assets individually impaired		
Impaired	2,872,061	3,440,011
	-----	-----
Total Loans and advances	8,288,347	8,046,375
	=====	=====

3.4 Liquidity risk

3.4.1 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives.

Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Company will be unable to do so is inherent in all Company operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Management of liquidity risk

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The Company liquidity management process, as carried out within the Company and monitored by a separate team in the Company known as the asset and liability management committee (ALCO), its functions include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Company Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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3.4.2 Maturity analysis

The table below analyses financial assets and liabilities of the Company into relevant maturity based on the remaining period at reporting date to the contractual maturity date. The table includes both principal and interest earned as at year end.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled

As at 31 December 2013	Within 12 Months	after 12 Months	Total
	£'000	£'000	£'000
Cash and balances with central bank	6,965	15,748	22,713
Due from banks	1,465,117	88,455	1,553,572
Loans and advances	2,542,028	4,769,052	7,311,080
Other assets	18,664	109,205	127,869
Financial Investments - Available for sale	-	2,500	2,500
Total financial assets	4,032,774	4,984,960	9,017,734
Due to customers	4,815,777	103,059	4,918,836
Due to the National Housing Fund	-	462,773	462,773
Borrowings	-	825,245	825,245
Other liabilities	92,012	83,162	175,174
Total financial liabilities	4,907,789	1,474,239	6,382,028
Net financial (liabilities)/assets	(875,015)	3,510,721	2,635,706
As at 31 December 2012			
Cash and balances with central bank	25,155	-	25,155
Due from banks	2,781,800	-	2,781,800
Loans and advances	2,652,000	4,475,250	7,127,250
Other assets	43,383	86,755	130,138
Financial Investments - Available for sale	-	2,500	2,500
Total financial assets	5,502,338	4,564,505	10,066,843
Due to Customers	1,916,000	2,231,111	4,147,111
Due to the National Housing Fund	48,000	441,146	489,146
Borrowings	836,000	1,019,782	1,855,782
Other liabilities	88,000	54,398	142,398
Total financial liabilities	2,888,000	3,746,437	6,634,437
Net financial assets	2,614,338	818,068	3,432,406

The table above shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

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The Company holds a diversified portfolio of cash and high-quality, highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Company assets held for managing liquidity risk comprise:

- Cash and balances with central banks;
- Certificates of deposit;

While there is a negative cumulative liquidity gap for within 12 months, it does not reflect the actual liquidity position of the Company as most of the term deposits from customers maturing within one year are historically being rolled over.

3.5 Market risk

Market risk is the exposure to an adverse change in the market value of our trading and investment positions caused by a change in prices and rates.

Such positions result from market making, proprietary trading, underwriting and investing activities.

The market risk factors are foreign exchange rates, commodity price, interest rates, and equity prices.

Each market risk category the Company is exposed to daily is described below:

- Foreign exchange risks arise from exposures to changes in spot and forward rates and volatilities of the exchange rates.
- Interest rate risks result from exposures to changes in the level and shape of the yield curve, the volatility of interest rates and credit spreads.
- Equity price risks result from exposures to the changes in prices and volatilities of individual equities.

3.5.1 Management of market risk

The Company has put in place a clearly defined market risk management framework that provides the Board of Directors and Management with guidance on market risk management processes. The Company has also prescribed tolerable market related losses, vis-a-vis the quantum of available capital and level of other risk exposures.

The Company's market risk policy and strategy are anchored on the following:

- i. product diversification which involves trading, application and investment in a wide range and class of products such as corporate securities and government securities;
- ii. risk taking within well-defined limits with the sole purpose of creating and enhancing shareholder value and competitive advantage;
- iii. effective utilisation of risk capital;
- iv. continuous re-evaluation of risk appetite and communication of same through market risk limits;
- v. independent market risk management function that reports directly to Management;
- vi. robust market risk management infrastructure reinforced by a strong automated system for controlling, monitoring and reporting market risk
- vii. deployment of a variety of tools to monitor and restrict market risk exposures such as position limits, sensitivity analysis, ratio analysis and management action triggers;
- viii. setting the internal Open Position Limit (OPL) lower than the CBN prescribed limit (currently 5% of shareholders' funds). The Company has put in place an approval process for exceeding the internal OPL limit. However, any trading above the CBN regulated OPL limit must be approved by the Central Bank; and
- ix. enforcement of market risk operating limits and other risk management guidelines that will ensure consistent compliance with OPL limit.

3.5.2 Market risk measurement techniques

(a) Value at risk (VAR)

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The **Company** applies a 'value at risk' (VAR) methodology to its trading portfolios (including assets and liabilities designated at fair value) and at a Company level to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted by the Company, which are monitored on a daily basis by Company Treasury. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis.

VAR, in general, is a quantitative measure of market risk which applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VAR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VAR measure, are likely to be experienced three times per year in every 250 days.

The Company uses parametric method as its VAR methodology with an observation period of two years obtained from published data from preapproved sources. VAR is calculated on the Company's positions at close of business.

The Company recently deployed a risk management system with capabilities for a more robust market risk analysis including VAR models based on Monte-Carlo simulation. The Company did not actively trade in the period.

(b) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

In recognition of the volatile market environment and the frequency of regulations that have had a significant effect on market rates and prices, the Company augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The ALCO has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress test scenarios are applied to interest rates, exchange rates, and equity prices.

Non-trading book: Other sensitivity analyses

The Company is yet to adopt the use of VAR for its equity exposure as a result of low market liquidity. The Company does not trade in commodity and therefore is not exposed to commodity risk except in transactions where commodities have been used as collateral for credit transactions. The latter is covered under credit risk management.

3.5.3 Foreign exchange risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Company exposure to foreign currency exchange rate risk at 31 December 2013 and 31 December 2012. Included in the table are the Company financial instruments at carrying amounts, categorised by currency.

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31 December 2013				
	Naira	USD	Euro	Total
	₦'000	₦'000	₦'000	₦'000
Financial assets				
Cash and balances with central banks/Due from banks	1,549,192	3,365	1,015	1,553,572
Loans and advances to customers	7,311,080			7,311,080
Other assets	127,869			127,869
Financial Investments - Available for sale	2,500			2,500
	-----	-----	-----	-----
	8,990,641	3,365	1,015	8,995,021
	-----	-----	-----	-----
Financial liabilities				
Customer deposits	4,918,836			4,918,836
Due to the National Housing fund	462,773			462,773
Borrowings	415,781	409,464		825,245
Other liabilities	175,174			175,174
	-----	-----	-----	-----
	5,972,564	409,464	-	6,382,028
	-----	-----	-----	-----
Net open currency position	3,018,077	(406,099)	1,015	2,612,993
	=====	=====	===	=====

ABBAY BUILDING SOCIETY PLC.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

31 December 2012				
	Naira	USD	Euro	Total
	₦'000	₦'000	₦'000	₦'000
Financial assets				
Cash and balances with central banks/Due from Banks	2,794,030	11,758	1,167	2,806,955
Loans and advances	7,127,250			7,127,250
Financial Investment-Available for sale	2,500			2,500
Other assets	130,137			130,137
	-----	-----	-----	-----
	10,053,917	11,758	1,167	10,066,842
	-----	-----	-----	-----
Financial liabilities				
Customer deposits	4,147,111			4,147,111
Due to the National Housing Fund	489,146			489,146
Borrowings	520,453	1,073,204	262,125	1,855,782
Other liabilities	142,398			142,398
	-----	-----	-----	-----
	5,299,108	1,073,204	262,125	6,634,437
	-----	-----	-----	-----
Net open currency position	4,754,809	(1,061,446)	(260,958)	3,432,405
	=====	=====	=====	=====

The Company's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigerian Naira affects reported earnings through revaluation gain or loss and the statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars.

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FX sensitivity analysis

The FX sensitivity analysis of the Company is presented below.

For each foreign currency net exposure it is reasonable to assume a 5% appreciation/depreciation against the functional currency. If all other variables are held constant, the tables below present the impacts on profit or loss before tax if these currency movements had occurred.

	US Dollar	EUR
As at 31 December 2013	₦'000	₦'000
Net foreign currency exposures	(406,099)	1,015
	-----	-----
	US Dollar	EUR
As at 31 December 2012	₦'000	₦'000
Net foreign currency exposures	(1,061,447)	(260,958)
	-----	-----

FX sensitivity analysis (31 December 2013)

The Company is exposed to the US dollar and EURO currencies.

The following table details the sensitivity to a 5% increase and decrease in Naira against the US dollar and EURO. Management believe that a 5% movement in either direction is reasonably possible at the reporting date. The sensitivity analyses below include outstanding US dollar and EURO denominated assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 5% against the US dollar and EURO. For a 5% weakening of Naira against the US dollar and EURO, there would be an equal and opposite impact on profit, and the balance below would be negative.

Naira strengthens by 5% against the US dollar Profit/ (loss)	₦22,138
Naira weakens by 5% against the US dollar Profit/(loss)	₦(22,138)
Naira strengthens by 5% against the EURO Profit/(loss)	₦50,748
Naira weakens by 5% against the EURO Profit/(loss)	₦(50,748)

FX sensitivity analysis (31 December 2012)

The Company is exposed to the US dollar and EURO currencies.

The following table details the sensitivity to a 5% increase and decrease in Naira against the US dollar and EURO. Management believe that a 5% movement in either direction is reasonably possible at the reporting date. The sensitivity analyses below include outstanding US dollar and EURO denominated assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 5% against the US dollar and EURO. For a 5% weakening of Naira against the US dollar and EURO, there would be an equal and opposite impact on profit, and the balance below would be negative

Naira strengthens by 5% against the US dollar

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Profit/(loss)	₦53,072
Naira weakens by 5% against the US dollar	
Profit/(loss)	₦ (53,072)
Naira strengthens by 5% against the EURO	
Profit/(loss)	₦13,048
Naira weakens by 5% against the EURO	
Profit/(loss)	₦(13,048)

3.5.4 Equity and commodity price risk

The Company is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Company.

The Company holds 50,000,000 shares in Universal Insurance Company Plc with a market value of N2.5 million

The Company does not deal in commodities and is therefore not exposed to any commodity price risk.

The Company is not likely to be exposed to any risk in future due to the immaterial nature of the amount, thus the sensitivity analysis is not computed.

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NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

3.5.5 Interest rate risk

The table below summarises the Company's interest rate gap position

31 December 2013				
	Carrying Value	Variable interest	Fixed interest	Non interest- bearing
31 December 2013	£'000	£'000	£'000	£'000
Financial assets				
Cash and balances with central bank	22,713		15,748	6,965
Due from other banks	1,553,572		1,553,572	-
Loans and advances	7,311,080		7,311,080	-
Other assets	127,869			127,869
Financial Investments- Available for sale	2,500			2,500
	=====	=====	=====	=====
	9,017,734	-	8,880,400	137,334
	=====	=====	=====	=====
Financial liabilities				
Due to customers	4,918,836		4,918,836	-
Due to the National Housing Fund	462,773		462,773	-
Borrowings	825,245		825,245	-
Other liabilities	175,174			175,174
	=====	=====	=====	=====
	6,382,028	-	6,206,854	175,174
	=====	=====	=====	=====

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31 December 2012				
	Carrying Value	Variable Interest	Fixed interest	Non-interest-bearing
	₦'000	₦'000	₦'000	₦'000
Financial assets				
Cash and balances with central bank	25,422	-	15,748	9,674
Due from other banks	2,781,533	-	2,781,533	-
Loans and advances	7,127,250	-	7,127,250	-
Financial Investments-Available for sale	2,500	-	-	2,500
Other assets	130,138	-		130,138
	=====	=====	=====	=====
	10,066,843	-	9,924,531	142,312
	=====	=====	=====	=====
Financial liabilities				
Due to customers	4,147,111	-	4,147,111	-
Due to the National Housing Fund	489,146	-	489,146	-
Borrowings	1,855,782	-	1,855,782	-
Other liabilities	620,061	-	-	620,061
	=====	=====	=====	=====
	7,112,100	-	6,492,039	620,061
	=====	=====	=====	=====

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3.5.6 Total Interest Re-pricing Gap

The re-pricing gap details each time the interest rate is expected to change:

For fixed interest instruments, it is on maturity

For Variable interest linked to prime, it's the date prime is next expected to change unless the instrument is expected to mature sooner

For non-interest bearing, it is not included in the table

31 December 2013						
	Less than 3 Months	3-6months	6-12months	1-5years	More than 5yrs	Total rate sensitive
Financial Assets	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and balances with central bank	6,965	-	-	-	15,748	22,713
Due from banks	913,221	550,000	-	250	90,101	1,553,572
Loans and advances	1,137,311	388,242	1,016,474	2,987,027	1,782,026	7,311,080
Total	<u>2,057,497</u>	<u>938,242</u>	<u>1,016,474</u>	<u>2,987,277</u>	<u>1,887,875</u>	<u>8,887,365</u>
Financial Liabilities						
Due to customers	4,168,322	238,810	408,645	103,059	-	4,918,836
Due to the National Housing Fund	-	-	-	-	462,773	462,773
Borrowings				825,245		825,245
Total	<u>4,168,322</u>	<u>238,810</u>	<u>408,645</u>	<u>928,304</u>	<u>462,773</u>	<u>6,206,854</u>

31 December 2012						
	Less than 3 Months	3-6months	6-12months	1-5years	More than 5yrs	Total rate sensitive
Financial Assets	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and balances with central bank	-	-	15,748	-	-	15,748
Due from banks	2,581,533	-	200,000	-	-	2,781,533
Loans and advances	37,476	18,913	623,458	3,479,921	2,967,482	7,127,250
Total	<u>2,619,009</u>	<u>18,913</u>	<u>839,206</u>	<u>3,479,921</u>	<u>2,967,482</u>	<u>9,924,531</u>
Financial Liabilities						
Due to customers	3,787,762	-	207,418	151,931	-	4,147,111
Due to the National Housing Fund	-	-	-	-	489,146	489,146
Borrowings	138,557	482,058	275,700	959,467	-	1,855,782
Total	<u>3,926,319</u>	<u>482,058</u>	<u>483,118</u>	<u>1,111,398</u>	<u>489,146</u>	<u>6,492,039</u>

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3.5.7 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other Variables held constant, to the Company's income statements and equity

31 December 2013				
	Plus 5 Basic Points	Plus 10 Basic Points	Minus 5 Basic Points	Minus 10 Basic Points
Sensitivity of profit or loss & equity				
	₦'000	₦'000	₦'000	₦'000
Rate Sensitive Assets				
Bank Placements	17,390	34,781	(17,390)	(34,781)
Loans & Advances	33,091	66,182	(33,091)	(66,182)
Rate Sensitive Liabilities				
Deposits	12,892	25,784	(12,892)	(25,784)
Borrowings	8,815	17,630	(8,815)	(17,630)
31 December 2012				
	Plus 5 Basic Points	Plus 10 Basic Points	Minus 5 Basic Points	Minus 10 Basic Points
Sensitivity of profit or loss & equity				
	₦'000	₦'000	₦'000	₦'000
Rate Sensitive Assets				
Bank Placements	21,147	42,295	21,147	42,295
Loans & Advances	66,050	132,099	66,050	132,009
Rate Sensitive Liabilities				
Deposits	(9,760)	(19,521)	9,760	19,521
Borrowings	(12,429)	(24,858)	12,429	24,858

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3.6 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair value:

		31 December 2013		31 December 2012	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		₦'000	₦'000	₦'000	₦'000
Financial Assets					
Cash and balances with central bank		22,713	22,713	25,422	25,422
Due from banks		1,553,572	1,553,572	2,781,533	2,781,533
Loans and advances		7,311,081	4,326,116	8,046,375	8,046,375
Financial Liabilities					
Due to customers		4,918,836	4,918,836	4,147,111	4,147,111
Other Liabilities		175,174	175,174	142,398	142,398
Borrowings		825,245	604,000	1,855,782	1,855,782

(b) Financial instruments measured at fair value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

31 December 2013	Level 1 ₦'000	Level 2	Level 3	Total ₦'000
Financial assets				
Investment securities - listed equity	2,500	-	-	2,500

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31 December 2012	Level 1 ₦'000	Level 2	Level 3	Total ₦'000
Financial assets				
Investment securities - listed equity	2,500	-	-	2,500

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

Cash and balances with central bank represent cash held with central bank of Nigeria. The fair value of these balances is their carrying amounts.

(ii) Equity securities

The fair value of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical instruments. Unquoted equity securities have been fully impaired.

(iii) Loans and advances to customers

Loans and advances are carried at amortised cost net of provision for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Deposits from banks and due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair values of fixed interest-bearing deposits and borrowings are determined using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

3.7 Capital management

The Company objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of Regulatory Capital are monitored daily by the Company's management, employing techniques based on the CBN guideline. The required information is filed with the CBN on a quarterly basis.

The Company maintains a ratio of Total Regulatory Capital to its risk-weighted assets (the 'Basel ratio') above a minimum level required by the regulatory authority which takes into account the risk profile of the Company.

The regulatory capital requirements are strictly observed when managing economic capital. The Company's regulatory capital, comprising of the following two tiers, is managed by Risk Management, Treasury and Strategy.

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations, statutory reserve, non-controlling interests arising on consolidation from interests in permanent shareholders' equity.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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The table below summarises the composition of regulatory capital and the ratios of the Company for the year ended 31 December 2013. During the year, the Company complied with all of the externally imposed capital requirements to which it is subject.

	2013 N'000	2012 N'000
Tier 1 capital		
Share capital	2,100,000	2,100,000
Share premium	2,877,126	2,877,126
Retained earnings	750,821	1,680,926
Statutory reserve	298,440	298,440
Regulatory reserve	687,589	266,083
	-----	-----
Total regulatory capital	6,713,976 =====	7,222,576 =====
	2013 N'000	2012 N'000
Risk-weighted assets		
On statement of financial position	12,162,818	12,063,254
Off statement of financial position	108,000	136,400
	-----	-----
Total risk-weighted assets	12,270,818 =====	12,199,654 =====
Risk-weighted Capital Adequacy Ratio (CAR)	55 ===	59 ====

The Companies borrowings were not used in the Capital adequacy calculations due to their non-qualification: The borrowings have a maturity of less than 7 years, therefore the company does not have any Capital qualifying within Tier 2 Capital.

4 Operating segments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (or loss) before income taxes, as included in the internal management reports that are reviewed by the Company's CEO. The CEO is considered the chief operating decision maker in the Company. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm's length basis.

4.1 *Services from which reportable segments derive their revenues*

Information reported to the chief operating decision maker (the CEO) for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segments under IFRS 8 are therefore as follows.

Mortgage banking
Investment banking
Retail banking

4.2 Segment revenues and results

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The following is an analysis of the Company's revenue and results from continuing operations by reportable segment.

	Mortgage banking	Investment banking	Retail banking	Unallocated	Total
	2013	2013	2013	2013	2013
	₦'000	₦ ₦'000	₦ ₦'000	₦ ₦'000	₦ ₦'000
Gross earnings					
Derived from external customers	943,555	332,060	97,038	(340,947)	1,031,706
Interest and similar expense	(316,141)	(96,598)	(26,345)	-	(439,084)
Gain on revaluation of investment property at fair value	-	-	-	289,253	289,253
	-----	-----	-----	-----	-----
Total operating income	627,414	235,462	70,693	(51,694)	881,875
	-----	-----	-----	-----	-----
Expenses					
Impairment charge on loans and advances	(57,720)	(6,413)	-	-	(64,133)
Personal expenses	(271,686)	(72,450)	(18,112)	-	(362,248)
Depreciation	(56,631)	(15,101)	(3,775)	-	(75,507)
Amortisation	(5,963)	(1,590)	(398)	-	(7,951)
Other operating expenses	(637,941)	(165,284)	(41,388)	-	(844,613)
	-----	-----	-----	-----	-----
Total cost	(1,029,941)	(260,838)	(63,673)	-	(1,354,452)
	-----	-----	-----	-----	-----
	Mortgage banking	Investment banking	Retail banking	Unallocated	Total
	2013	2013	2013	2013	2013
	₦'000	₦ ₦'000	₦ ₦'000	₦ ₦'000	₦ ₦'000
Segment profit	(402,527)	(25,376)	7,020	(51,694)	(472,577)
	=====	=====	=====	=====	=====
Income tax expense				(36,023)	(36,023)

Lossfor the year					(508,600)
					=====
Total assets	10,171,984	2,712,529	678,132	21,993	13,584,637

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NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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Total liabilities	5,016,554	1,011,509	252,877	589,721	6,870,661
--------------------------	------------------	------------------	----------------	----------------	------------------

	Mortgage Banking	Investment Banking	Retail Banking	Unallocated	Total
	2012	2012	2012	2012	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
Gross earnings					
Derived from external customers	1,370,537	681,630	68,066		2,120,232
Inter segment	92,153	(141,610)	49,457		-
	-----	-----	-----	-----	-----
	1,462,690	540,020	117,522		2,120,232
Interest and similar expense	(232,567)	(201,458)	(9,760)		(443,785)
Fee and commission expense		-	-		-
	-----	-----	-----	-----	-----
Total operating income	1,230,123	338,563	107,762		1,676,448
	-----	-----	-----	-----	-----

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

	Mortgage Banking	Investment Banking	Retail Banking	Unallocated	Total
	2012	2012	2012	2012	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
Expense:					
Impairment charge on loans and advances	(396,521)	(44,058)	-		(440,579)
Impairment charge on available for sale	-	(4,040)	-		(4,040)
Depreciation	(51,268)	(10,254)	(6,836)		(68,358)
Amortization	(4,697)	(939)	(626)		(6,262)
Personnel expenses	(287,244)	(55,889)	(29,458)		(372,591)
Other operating expenses	(369,502)	(71,893)	(37,896)		(479,291)
	-----	-----	-----	-----	-----
Total cost	(1,109,232)	(187,073)	(74,816)		(1,371,121)
	-----	-----	-----	-----	-----
Segment profit	120,891	151,489	32,946		305,326
	=====	=====	=====	=====	=====
Income tax expense				(86,351)	(86,351)

Profit for the year					218,975
					=====
Total assets	9,551,686	4,319,807	443,710	19,493	14,334,696
	=====	=====	=====	=====	=====
Total liabilities	1,733,279	2,695,622	207,356	2,475,863	7,112,120
	=====	=====	=====	=====	=====

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than 'other financial assets', and current and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than borrowings, 'other financial liabilities', current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

4.3 ***Geographical information***

The Company operates within Nigeria and does not have operations outside the country, therefore no reporting has been done based on geographical segment.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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4.4 Information about major customers

Included in revenues arising from the Company's services is approximately ₦ 605 million (2012: ₦ 614 million) which arose from services to the Company's most significant customer(s). The customers that contributed 10% or more to the Company's revenue in 2013 are:

	₦'000	Percentage	Segment
Baze University Ltd	140,597	14%	Mortgage Banking
Baze Research & Data Services Ltd	136,285	14%	Mortgage Banking
Sterling Bank	116,361	12%	Investing Banking

No single customer contributed 10% or more to the Company's revenue for 2012.

5 Interest and similar income	2013	2012
	₦'000	₦'000
Loans and advances	487,534	1,339,607
Cash and short term funds	331,461	422,946
	-----	-----
	818,995	1,762,553
	=====	=====

Interest income on loans and advances to customers includes interest income on impaired financial assets, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment charge. This amounted to ₦162,756,000 for 2013 (2012: ₦405,263,000).

6 Interest and similar expense	2013	2012
	₦'000	₦'000
Due to customers	257,673	195,207
Borrowings	181,411	248,578
	-----	-----
	439,084	443,785
	=====	=====

The interest on borrowings relates to the following off-shore loans:

Africinvest Financial Sector Limited	134,408	18,333
Netherlands Development Finance Company (FMO)	41,423	67,708
Shelter Afrique	5,580	162,537
	-----	-----
	181,411	248,578
	=====	=====

7 Fees and commission income	2013	2012
	₦'000	₦'000
Mortgage Fees	174,842	72,952
Legal Fees	205	163
	-----	-----
	175,047	73,115
	=====	=====
	2013	2012
	₦'000	₦'000
8 Gain on revaluation of investment property at fair value	289,253	197,021
	=====	=====
9 Other operating income		

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NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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Rental income	19,421	20,348
Other income	76,592	44,028
Profit on sale of property and equipment	2,453	500
Net foreign exchange (loss)/gain	(60,802)	18,389
Gain on disposal of investment-property	-	2,071
Write back of impairment allowance on other assets	-	2,208
	-----	-----
	37,664	87,544
	=====	=====

Other income consists of income from E-payments, commission on turnover(COT) and other operational income.

10	Impairment charge on loans and advances	2013	2012
		₦'000	₦'000
	The net impairment charge for credit losses comprises:		
	Collective impairment (Note 16.1)	1,651	(90,540)
	Individual impairment(Note 16.1)	244,717	530,786
	Loan amount written off (Note 16.1)	-	333
	Provision no longer required	(182,235)	-
		-----	-----
	At the end of the year	64,133	440,579
		=====	=====

10.1 Other impairment credit/ (charges)

Impairment on balances with other banks (Note 15.1)	267	(267)
	-----	-----
Balance as at 31 December	267	(267)
	=====	=====

11	Personnel expenses	2013	2012
		₦'000	₦'000
	Wages, salaries and other staff costs	345,738	356,692
	Retirement contribution plan	16,510	15,899
		-----	-----
		362,248	372,591
		=====	=====

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NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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11.1 Other operating expenses	2013	2012
	₦'000	₦'000
Deposit insurance commission	18,376	14,396
Directors remuneration	93,885	94,358
Auditors remuneration	12,000	12,000
Foreign loan expenses	338,868	-
Property and equipment repairs & maintenance	69,422	50,653
Subscriptions, publications, stationeries and communications	31,735	33,563
Other expenses	280,594	274,055
	-----	-----
	844,880	479,025
	=====	=====
 12 TAXATION	 2013	 2012
	₦'000	₦'000
12.1 Current income tax for the year		
Income tax	34,355	18,292
Education tax	-	3,659
Technology levy	-	3,053
	-----	-----
Total current tax	34,355	25,004
 Deferred tax (net); Relating to origination and reversal of temporary differences	 1,668	 61,347
	-----	-----
	1,668	61,347
	=====	=====
	36,023	86,351
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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12.2 Reconciliation of effective tax rate

The effective income tax rate for 2013 is 30% (2012: 30%)

The Company is assessed on minimum tax for 2013 in compliance with the provision of the Company Income Tax Act CAP 21 Cap C21 LFN 2004 as amended, while Education tax charge is based on the provisions of the Education Tax Act CAP E4 LFN 2004 as amended.

Where in any year of assessment the ascertainment of total assessable profits from all sources of a company results in a loss or where a company's ascertained total profits results in no tax payable or tax payable which is less than the minimum tax there shall be levied and paid by the company, the minimum tax as prescribed in the subsection (2) of this sections. The minimum tax was assessed as the 0.5 per cent of net assets and 0.125 per cent of turnover above 500,000 being the highest of the four options.

	2013	2012
	₦'000	₦'000
(Loss)/profit before tax	(472,577)	305,326
Income tax using the domestic Corporation tax rate (30%)	(141,773)	91,598
Income not subject to tax	(86,776)	(95,842)
Non-deductible expenses	45,295	83,733
Effect of minimum tax floor	148,899	-
Education tax	-	3,659
Technology levy	-	3,053
	-----	-----
	34,355	86,351
	=====	=====

12.3 The movement in the current income tax liability is as follows:

At beginning of year	26,108	39,325
Income tax expense	34,355	25,004
Payments during the year	(25,073)	(38,221)
	-----	-----
At end of year	35,390	26,108
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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13 (Loss)/earnings per share

Basic

Basic earnings per share has been calculated based on profit after taxation attributable to the shareholders during the period and the weighted average number of issued share capital of 4,200,000,000 at 31st December of every year.

	2013 ₦'000	2012 ₦'000
(Loss)/profit after taxation attributable to the shareholders	(508,600)	218,975
Weighted average number of ordinary shares	4,200,000	4,200,000
	-----	-----
	(12.11)	5.21
	=====	=====

Diluted

There was no diluting instruments as at the reporting date, hence diluted earnings per share is the same as basic earnings per share.

14 Cash and balances with central bank

	2013 ₦'000	2012 ₦'000
Cash	6,965	9,674
Deposits with CBN	15,748	15,748
	-----	-----
	22,713	25,422
	=====	=====

ABBHEY BUILDING SOCIETY PLC.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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15 Due from banks

	2013	2012
	₦'000	₦'000
Balances with Federal Mortgage Bank of Nigeria	250	250
Balances with other banks	88,233	91,975
Fixed placement with banks	1,465,089	2,689,575
Less allowance for impairment	-	(267)
	-----	-----
	1,553,572	2,781,533
	=====	=====

15.1 Movements of allowance for impairment loss

At the beginning of the year	267	-
Charge for the year	(267)	267
	-----	-----
	-	267
	=====	=====

The Company has restricted cash balances with the Central Bank of Nigeria and the Federal Mortgage Bank of Nigeria. This balance is made up of CBN and FMBN cash reserve requirement. The cash reserve ratio represents a mandatory cash deposit which should be held with the Central Bank of Nigeria as a regulatory requirement. Restricted deposits with Central Bank and Federal Mortgage Bank are not available for use in the Company's day-to-day operations.

16 Loans and advances

	2013	2012
	₦'000	₦'000
Mortgages	6,391,840	5,785,909
Advances	1,393,967	1,739,771
National Housing Fund	502,540	520,694
	-----	-----
	8,288,347	8,046,375
	-----	-----
Collective provision for impairment	120,486	118,835
Specific provision for impairment	856,781	800,290
	-----	-----
Total impairment allowance	977,267	919,125
	=====	=====
Total	7,311,080	7,127,250
	=====	=====

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16.1 The movement of allowance for impairment:	2013 N'000	2012 N'000
Collective impairment		
At beginning of year	118,835	209,375
Impairment charge/ (reversal)	1,651	(90,540)
	-----	-----
At end of year	120,486	118,835
	=====	=====
Individual impairment		
At the beginning of year	800,291	282,455
Write offs	(5,992)	(12,951)
Provisions no longer required	(182,235)	-
Impairment charge	244,717	530,787
	-----	-----
At the end of year	856,781	800,291
	-----	-----
Total impairment provision	977,267	919,125
	=====	=====
16.2 Analysis by security (Gross)		
Secured against real estate	7,311,119	7,104,597
Secured by collateral other than real estate	927,639	919,985
Unsecured	49,589	21,793
	-----	-----
Total	8,288,347	8,046,375
	=====	=====
17 Financial Investments - available-for-Sale		
Quoted investments		
Equities	19,298	19,298
Specific impairment allowance	(16,798)	(16,798)
Unquoted investments		
Equities	5,304	5,304
Specific impairment allowance	(5,304)	(5,304)
	-----	-----
	2,500	2,500
	=====	=====

Quoted investments are stated at fair value. The fair value of unquoted equity securities was not disclosed, their fair value cannot be measured reliably, however the values of the unquoted investments have been fully impaired.

17.1 Specific impairment allowance on AFS investments

Balance at beginning of year	22,102	77,754
Charge for the year	-	4,040
Write -offs	-	(59,692)
	-----	-----
Balance at end of year	22,102	22,102
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS - *Continued*
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17.2	Movements in available-for-sale investment (Quoted)	2013	2012
		₦'000	₦'000
	Balance at beginning of year	19,298	89,154
	Disposal	-	(69,856)
		-----	-----
	Balance at end of year	19,298	19,298
		=====	=====
18	Other assets	2013	2012
		₦'000	₦'000
	Prepayments	88,682	75,229
	Stationery and stock	6,413	6,437
	Sundry receivables	50,189	50,296
	Allowance for impairment of sundry receivables	(17,415)	(1,825)
		-----	-----
		127,869	130,138
		=====	=====
18.1	Movement of allowance for impairment of sundry receivables		
	Balance at the beginning of year	1,825	4,034
	Provision/ (write-off)	15,590	(2,208)
		-----	-----
	Balance at end of year	17,415	1,825
		=====	=====
19	Investment Properties	2013	2012
		₦'000	₦'000
	Opening carrying amount	2,977,150	2,554,200
	Additions/Improvements	7,497	132,912
	Net transfers from land and buildings	11,251	169,947
	Gain from revaluation at fair value	289,253	197,021
	Disposals	-	(76,930)
	Transfer to non-current assets held for sale (note 22)	(3,285,150)	-
		-----	-----
	Closing carrying amount	-	2,977,150
		=====	=====

The Company's investment property is comprised of land and building which is acquired for the purposes of long term rental yield and capital appreciation. During the year, the Company was instructed by the CBN to reclassify the investment properties to non-current assets held for sale. Refer to note 22

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A valuation of investment property as at 2013 was carried out by Messrs. Fortune Ebie& Co. (independent valuers) applying fair value of the properties determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property, considering the highest and best use of the properties. The market value of investment properties as at that last valuation in June 2013 was ₦3,285,150,000 (2012: ₦2,977,150,000). There was no significant change in the value of the investments as at 31 December 2013.

The Company did not recognise any impairment relating to investment property balances.

Operating expenses relating to investment property is as follows:

	2013	2012
	₦'000	₦'000
Income generating properties	150	161
Non-income generating properties	947	969
	-----	-----
Total valuation fee	1,097	1,130
	=====	=====

In the opinion of the Directors investment property is not impaired as at 31 December 2013 and 2012.

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20	Property and equipment	Capital Work- in-progress N'000	Leasehold Improvements N'000	Land and Buildings N'000	Furniture and equipment N'000	Computer Equipmen t N'000	Motor Vehicles N'000	Total N'000
	Cost							
	At 1 January 2013	9,718	697	1,074,415	168,806	90,765	202,838	1,547,239
	Additions	-	-	19,293	17,990	7,063	41,600	85,946
	Transfer	(9,718)	-	9,718	-	-	-	-
	Disposal	-	-	-	(8,843)	-	(27,190)	(36,033)
	Reclassification (Note 19)	-	-	(13,391)	-	-	-	(13,391)
		-----	-----	-----	-----	-----	-----	-----
	At 31 December 2013	-	697	1,090,035	177,953	97,828	217,248	1,583,761
		-----	-----	-----	-----	-----	-----	-----
	Accumulated depreciation							
	At 1 January 2013	-	697	21,562	69,022	61,795	157,158	310,234
	Depreciation charge	-	-	20,890	15,265	11,655	27,697	75,507
	Disposals	-	-	-	(8,656)	-	(27,190)	(35,846)
	Reclassification (Note 19)	-	-	(2,139)	-	-	-	(2,139)
		-----	-----	-----	-----	-----	-----	-----
	At 31 December 2013	-	697	40,313	75,631	73,450	157,665	347,756
		-----	-----	-----	-----	-----	-----	-----
	NBV at 31 December 2013	-	-	1,049,722	102,322	24,378	59,583	1,236,005
		=====	=====	=====	=====	=====	=====	=====
	NBV at 31 December 2012	9,718	-	1,052,854	99,784	28,969	45,680	1,237,005
		=====	=====	=====	=====	=====	=====	=====

Work in progress relates to capital cost incurred in setting up new branches. When completed and available for use, they are transferred to the respective property, plant and equipment classes and depreciation commences. There were no restrictions on title and no asset pledge as security for liabilities during the year.

Included in property and equipment is an asset subject to operating leases where the Company is a lessor. At 31 December 2013, the net carrying amount of this asset was N44m (2012: N45m), on which the accumulated depreciation as at 31 December 2013 was \$5m (2012: \$4m).

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	Capital work-in- progress	Leasehold improvement	Land and building	Furniture, office and residential	Computer equipment	Motor vehicles	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost							
At 1 January 2012	23,386	697	1,097,327	107,290	79,955	208,248	1,516,903
Additions	9,718	-	140,555	60,327	10,390	15,491	236,481
Reclassifications	(23,386)	-	21,777	1,189	420	-	-
Disposal	-	-	-	-	-	(20,900)	(20,900)
Transfer to investment property	-	-	(185,244)	-	-	-	(185,244)
At 31 December 2012	9,718	697	1,074,415	168,806	90,765	202,838	1,547,239
	=====	=====	=====	=====	=====	=====	=====
Accumulated depreciation							
At 1 January 2012	-	504	25,821	57,401	47,578	146,770	278,073
Charge for the year	-	194	11,038	11,621	14,217	31,288	68,358
Disposals						(20,900)	(20,900)
Transfer to investment property		-	(15,297)	-	-	-	(15,297)
At 31 December 2012	-	697	21,562	69,022	61,795	157,158	310,234
	=====	=====	=====	=====	=====	=====	=====
Net carrying amount at 31 December 2012	9,718	-	1,052,853	99,784	28,970	45,680	1,237,005
	=====	=====	=====	=====	=====	=====	=====

Work in progress relates to capital cost incurred in setting up new branches. When completed and available for use, they are transferred to the respective property, plant and equipment classes and depreciation commences. There were no restrictions on title and no asset pledge as security for liabilities during the year.

ABBNEY BUILDING SOCIETY PLC.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

21 Intangible assets	2013	2012
	₦'000	₦'000
Cost		
At 1 January	47,847	33,092
Additions	-	14,755
	-----	-----
At 31 December	47,847	47,847
	-----	-----
Accumulated depreciation		
At 1 January	13,641	7,379
Amortisation charge	7,951	6,262
	-----	-----
At 31 December	21,592	13,641
	-----	-----
Carrying amount	26,255	34,206
	=====	=====

The intangible assets consist wholly of the Company's computer software. The assets which are material include: Finnone Software with carrying amount of ₦15m (2012: ₦19m) and remaining amortisation period of 3 years. E-banking Software with carrying amount of ₦9m (2012: ₦11m) and remaining amortisation period of 4 years.

22 Non-current assets held for sale

A stipulation by CBN has resulted in the reclassification of investment properties to non-current assets held for sale. A sale had not been completed at the year end but the Company expects to sell the assets within the next 12 months.

	2013	2012
	₦'000	₦'000
Transfer from investment properties	3,285,150	-
	-----	-----
	3,285,150	-
	=====	=====

Transfers from investment properties were carried out at carrying amount as at the date of the transfer. The year end value represents the lower of carrying amount and fair value less cost to sell as there was no significant difference between the carrying amount and the fair value less cost to sell at the year end.

ABBHEY BUILDING SOCIETY PLC.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

23 Due to customers	2013 ₦'000	2012 ₦'000
Demand Deposits	567,306	290,596
Term Deposits	2,842,062	2,684,190
Savings Deposits	1,509,468	1,172,325
	-----	-----
	4,918,836	4,147,111
	=====	=====
Within one year	2,076,774	1,462,921
More than one year	2,842,062	2,684,190
	-----	-----
	4,918,836	4,147,111
	=====	=====
24 Borrowings	2013 ₦'000	2012 ₦'000
Netherlands Development Finance Company (See note below)	825,245	1,120,646
Africinvest Financial Sector Limited	-	264,738
Shelter-Afrique	-	470,398
	-----	-----
	825,245	1,855,782
	=====	=====
Within one year	310,706	264,738
More than one year	514,539	1,591,044
	-----	-----
	825,245	1,855,782
	=====	=====

The Company has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year.

The amount of ₦840,537,501 represents the principal outstanding balance on the two tranches of Naira & Dollar denominated facilities granted by Netherlands Development Finance Company (FMO) between March 2010 and April 2011. The tenor is for 7 years subject to FMO's right of conversion within 7 days of the date falling 3 years after the date of each utilisation such that the shareholding shall not exceed 9.9%. The principal amount is repayable quarterly in 20 equal instalments commencing from 15 December 2011 while the interest is payable quarterly on the 15th of March, June, September and December every year at 8.87% and 14.5% per annum respectively.

The outstanding balances as at 31 December 2012 from Africinvest financial sector and Shelter-Afrique were fully paid in 2013.

ABBAY BUILDING SOCIETY PLC.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

25	Other liabilities	2013 ₦'000	2012 ₦'000
	Accounts payable	165,186	123,328
	Rent and other fees received in advance	3,142	3,658
	Staff pension contribution	4,434	5,120
	Information technology levy	2,412	2,412
	Interest received in advance	-	7,880
		-----	-----
		175,174	142,398
		=====	=====

Information Technology Levy

This represents 1% of profit before tax in line with section 12(2) of the NITDA act which became effective in 2007.

25.1 Retirement benefit obligations	2013 ₦'000	2012 ₦'000
Defined contribution scheme		
Pension liability	4,434	5,120
	=====	=====

Defined contribution scheme

The Company and its employees make a joint contribution of 15% basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators.

The company's liabilities in respect of the defined contribution scheme are charged against the profit of the year in which they become payable. Payments are made to pension fund administration companies who are financially independent of the Company.

26	Due to the National Housing Fund	2013 ₦'000	2012 ₦'000
	On-lending Funds	462,773	489,146
		=====	=====

The funds are obtained from Federal Mortgage Bank of Nigeria ("FMBN") for the purpose of on-lending of this fund to qualifying members of the National Housing Fund loan scheme. The funds are obtained at 4% per annum from FMBN and issued to customers at 6% per annum

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

27 Deferred tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2012: 30%).

	2013 ₦'000	2012 ₦'000
At beginning of year	432,082	370,735
Arising during the year (see note 12.1)	1,668	61,347
	-----	-----
	433,750	432,082
	=====	=====

27.1 Deferred liabilities are attributable to the followings

Property and equipment	148,434	175,691
Investments properties	227,992	199,067
Allowances for loan losses	46,653	46,653
Other assets	9,150	9,150
Foreign exchange translation difference	1,521	1,521
	-----	-----
	433,750	432,082
	=====	=====

28 Share capital

	2013 ₦'000	2012 ₦'000
28.1 Authorised		
7 billion ordinary shares of 50 kobo each	3,500,000	3,500,000
	=====	=====
28.2 Issued and fully paid		
4.2 billion ordinary shares of 50kobo each	2,100,000	2,100,000
	=====	=====

There were no movements in issued and paid up share capital during 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

29 Share premium and reserves

There was no movement in share premium during 2013 and 2012

30 Retained earnings	2013	2012
	₦'000	₦'000
Balance as at 1 January	1,680,927	1,621,535
	-----	-----
	1,680,927	1,621,535
(Loss)/profit for the year	(508,600)	218,975
Transfer to statutory reserve (Note 31)	-	(43,795)
Transfer to regulatory risk reserve (Note 33)	(421,506)	(115,788)
	-----	-----
Balance as at 31 December	750,821	1,680,927
	=====	=====

31 Statutory reserve:

Un-distributable earnings required to be kept by the nation's central bank in accordance with the national law.

At beginning of year	298,440	254,645
Transfer from profit and loss account	-	43,795
	-----	-----
At end of year	298,440	298,440
	=====	=====

Nigerian banking regulations require the company to make an annual appropriation to a statutory reserve. As stipulated by section 16(1) of the Banks and Other Financial Institutions Act of Nigeria, an appropriation of 20% of profit after tax is made if the statutory reserve is less than paid-up share capital and 10% if the statutory reserve is greater than the paid-up capital.

32 Available for sale reserve

The available for sale reserve shows the movements regarding gains and losses on available for sale financial instruments.

33 Regulatory risk reserve	2013	2012
	₦'000	₦'000
Balance at beginning of year	266,083	150,295
Transfer from Retained Earnings	421,506	115,788
	-----	-----
Balance at end of year	687,589	266,083
	=====	=====

The regulatory risk reserve accounts for the difference between the impairment on loans and advances computed based on the Central Bank of Nigeria Prudential Guidelines compared with the incurred loss model used in calculating the impairment under IFRS.

ABBAY BUILDING SOCIETY PLC.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

34	Additional cash flow information	2013	2012
		₦'000	₦'000
	Cash and cash equivalents		
	Cash on hand (Note 14)	6,965	9,674
	Due from banks (Note 15)	1,553,322	2,781,283
		-----	-----
		1,560,287	2,790,957
		=====	=====
	The deposits with the Central Bank and FMBN (see Notes 14 and 15) are not available to finance the Company's day-to-day operations and, therefore, are not part of cash and cash equivalents.		
34.1	Change in Operating assets	2013	2012
		₦'000	₦'000
	Net change in investment property	(289,253)	(197,021)
	Net change in loans and advances	(241,972)	(354,419)
	Net change in other assets	2,271	(13,511)
		-----	-----
		(528,954)	(564,951)
		=====	=====
34.2	Change in operating liabilities		
	Net change in due to customers	771,725	423,896
	Net change in due to NHF	(26,373)	115,363
	Net change in other liabilities	32,776	1,690
		-----	-----
		778,128	540,949
		=====	=====
34.3	Other non-cash items included in profit before tax		
	Depreciation	75,507	68,358
	Amortization	7,951	6,262
	Impairment losses on loans and advances	246,367	440,246
	Impairment charge on available for sale investment	-	4,040
	Provision no longer required	(182,235)	-
	Foreign exchange gain	(186)	-
	Write offs	(5,992)	(12,951)
		-----	-----
		141,412	505,955
		=====	=====
34.4	Gains from investing activities		
	Profit on disposal of property and equipment	(2,453)	(500)
	Profit on disposal of investment property	-	(2,071)
		-----	-----
		(2,453)	(2,571)
		=====	=====

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

35 Contingencies and commitments

35.1 Guarantees and Other Commitments

In the ordinary course of business, the Company is party to financial instruments with off-balance sheet risks. The instruments are used mainly as interim Securities for National Housing Funds Loans ("NHFL"). The guarantees are expected to be discharged as soon as legal mortgages are perfected. The contractual amounts of the off- statement of financial position financial instruments are:

	2013 ₦'000	2012 ₦'000
Guaranteed facilities (NHFL)	529,828	482,000
Other bank guarantees	-	200,000
	-----	-----
	529,828	682,000
	=====	=====

35.2 Legal claims

The Company in the ordinary course of business is presently involved in eight (8) litigation suits none of which may give rise to any material contingent liability.

36 Operating leases

Company as lessee

The Company entered into commercial leases for premises. These leases have an average life of between three and five years. There are no restrictions placed upon the lessee by entering into these leases.

	2013 ₦'000	2012 ₦'000
Due within one year	2,308	173
Due within two-five years	5,500	7,403
	-----	-----
	7,808	7,577
	=====	=====

There is no separate amount for minimum lease payment, contingent rents and sublease payment. None of the lease was sub-leased during the year. There is no restriction imposed by the lease arrangement.

ABBHEY BUILDING SOCIETY PLC.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

Company as lessor

The Company acts as lessor of commercial premises. These leases have an average life of between one and two years. There are no restrictions placed upon the lessee by entering into these leases.

	2013 N'000	2012 N'000
Due within one year	19,133	-
Due within two-five years	500	20,142
	-----	-----
	19,633	20,142
	=====	=====

ABBAY BUILDING SOCIETY PLC.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

37 Related party disclosures

An analysis of insider related credit granted to companies and individuals with whom the Directors of the Company are related or in which the Directors have related interests are as stated below. Credit facilities were provided by the bank to related parties on commercial terms. Loans and advances to related parties at the balance sheet date, which are all performing amounted to N538 million (DEC.2012: N74 million).

Name of Borrower	Relationship to Reporting Institution	Amounting Outstanding 2013 N'000	Amounting Outstanding 2012 N'000	Interest Paid 2013 N'000	Interest Paid 2012 N'000	Facility Type	Status	Perfected Security Nature
Infant Jesus Academy	Managing Director	352,074	28,890	1,668	9,410	Mortgage loan	Performing	Legal Mortgage Equitable
Rosabon Inv.	Chairman	15,236	19,926	25,925	22,604	Housing loan	Performing	Mortgage/Cash
MaduHamman Bernard	Director	20,802	25,081	2,361	1,291	Mortgage loan	Performing	Legal Mortgage
Okumagba	Director	*150,181	-	-	-	Mortgage loan	Performing	Legal Mortgage
		538,293	73,897	29,954	33,305			

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are fully secured for the year ended 31 December 2013 and 2012, all related party facilities were performing at year end and as such there were no amounts provided for.

*The loan was disbursed on the 30th December 2013.

ABBHEY BUILDING SOCIETY PLC.

NOTES TO THE FINANCIAL STATEMENTS - *Continued*
31 DECEMBER 2013

37.1	Key Management Compensation	2013	2012
		₦'000	₦'000
	Salaries and other short term employee benefits	31,745	26,000
	Post -employment benefits	2,146	2,146
		-----	-----
		33,891	28,146
		=====	=====
37.2 Directors emoluments			
		2013	2012
		₦'000	₦'000
	Fees and sitting allowances	14,412	15,676
	Executive Compensation	68,133	68,133
	Pension cost-defined contribution scheme	2,146	2,146
	Other directors expenses	<u>9,194</u>	<u>8,401</u>
		<u>93,885</u>	<u>94,356</u>

38 Events after the reporting date

Following the approval of the Central Bank of Nigeria (CBN) on 17 September 2013, and the approval of the Corporate Affairs Commission of Nigeria on 16 January 2014, the Company changed its name from Abbey Building Society Plc to Abbey Mortgage Bank Plc.

There were no other events after the reporting date which could have a material effect on the financial position of the Company as at 31 December 2013 and profit attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

39 Dividend payable

No dividend was paid or proposed for the year or prior year.

40 Compliance with banking regulations

The Company complied with all CBN regulations during the year, there were no contraventions to be reported during 2013.

ABBAY BUILDING SOCIETY PLC.

**STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013		2012	
	₦ N'000	%	₦ N'000	%
Gross income	1,320,959		2,120,233	
Interest expense	(439,084)		(443,785)	
	=====		=====	
	881,875		1,676,448	
	=====		=====	
Impairments charge	(63,866)		(444,886)	
Brought-in-materials and services-local	(844,880)		(479,025)	
	=====		=====	
Value added	(26,871)	100	752,537	100
	=====		=====	
Applied to pay:				
Employee as wages, salaries and pensions	362,248	-	372,591	50
Government taxes	34,355	-	25,004	3
Retained in business:				
Depreciation and amortization	83,458	-	74,620	10
(Loss)/profit for the year	(508,600)	-	218,975	29
Deferred taxation	1,668	-	61,347	8
	=====	=====	=====	=====
	(26,871)	100	752,537	100
	=====	=====	=====	=====

Value added represents the additional wealth which the company has been able to create by its own and employees efforts. This statement shows the allocation of that wealth among the employees, shareholders, government and that retained for the future creation of more wealth.

This information is presented for the purpose of the requirements of the Companies and Allied Matters Acts.

ABBEEY BUILDING SOCIETY PLC.
FIVE YEAR FINANCIAL SUMMARY

	IFRS			NGAAP	
	Dec-13 N N'000	Dec-12 N N'000	Dec-11 N N'000	Dec-10 N N'000	Oct-09 N N'000
Assets					
Cash and balances with central bank	22,713	25,422	18,934	18,190	13,137
Due from banks	1,553,572	2,781,533	2,880,726	3,488,962	4,154,970
Loans and advances	7,311,080	7,127,250	7,200,126	6,272,719	5,322,388
Other assets	127,869	130,138	116,626	107,242	80,984
Financial Investments - available for sale	2,500	2,500	16,704	41,138	40,902
Property and equipment	1,236,005	1,237,005	1,238,831	557,140	459,858
Investment property	-	2,977,150	2,554,198	2,337,100	658,674
Intangible assets	26,255	34,206	25,713	3,121	-
Non-current assets held for sale	3,285,150	-	-	-	-
Deferred tax		19,493	19,493	9,376	-
Total Assets	13,565,144	14,334,696	14,071,351	12,834,988	10,730,913
	=====	=====	=====	=====	=====
Liabilities and equity					
Deposits from customers	4,918,836	4,147,111	3,723,215	3,459,835	4,323,966
Due to the National Housing Fund	462,773	489,146	373,784	385,086	400,487
Borrowings	825,245	1,855,782	2,400,491	1,707,078	275,000
Current income tax liability	35,390	26,108	39,325	89,516	110,305
Other liabilities	175,174	142,398	140,707	131,929	154,194
Deferred tax liabilities	433,750	451,575	390,228	110,240	62,359
	6,851,168	7,112,120	7,067,750	5,883,684	5,326,311
	=====	=====	=====	=====	=====
Equity					
Share capital	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Share premium	2,877,126	2,877,126	2,877,126	2,877,126	2,877,126
Retained earnings	750,821	1,680,927	1,621,535	1,738,478	179,317
Statutory reserve	298,440	298,440	254,645	235,700	248,159
Regulatory Risk (CBN) reserve	687,589	266,083	150,295	-	-
Total equity	6,713,976	7,222,576	7,003,601	6,951,304	5,404,602
	=====	=====	=====	=====	=====
Total liabilities and equity	13,565,144	14,334,696	14,071,351	12,834,988	10,730,913
	=====	=====	=====	=====	=====

ABBAY BUILDING SOCIETY PLC.
FIVE YEAR FINANCIAL SUMMARY
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2013

	→ IFRS ←			→ NGAAP ←	
	Dec-13 ₦'000	Dec-12 ₦'000	Dec-11 ₦'000	Dec-10 ₦'000	Oct-09 ₦'000
Total operating income	881,875	1,676,448	1,394,742	1,308,776	1,199,729
Operating expenses	(1,290,586)	(926,236)	(862,607)	(841,221)	(652,562)
Allowances for loans and other assets	(63,866)	(444,886)	40,699	(95,126)	(192,940)
(Loss)/profit before taxation	(472,577)	305,326	572,834	372,429	354,227
Income tax expense	36,023	86,351	310,538	90510	118,899
(Loss)/profit for the period	(508,600)	218,975	262,296	281,919	235,328
	=====	=====	=====	=====	=====
Earnings per share (Kobo) - Basic and diluted	(12.11)	5.21	6.25	6.71	5.60
Declared dividend per share *	-	-		. 5.00	4.00

* This represents dividend declared during the preceeding year but paid during the period .

Dividend per share are based on the number of ordinary shares in issue and paid up at the end of every accounting year

Earnings per share (basic) are based on the profit after taxation and weighted number of ordinary shares in issue and paid up at the end of every accounting year