

ABBAY MORTGAGE BANK PLC.

**UNAUDITED IFRS INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH, 2014
(CONDENSED REPORTS)**

Introduction

Abbey Mortgage Bank's Interim Financial Statements complies with the applicable legal requirements of the Nigerian Securities and Exchange Commission regarding interim financial statements. These financial statements contain extract of the unaudited financial statements prepared in accordance with IAS 34 'Interim Financial Reporting' its interpretation issued by the International Accounting Standards and adopted by the Financial Reporting Council of Nigeria. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

ABBEY MORTGAGE BANK PLC

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FINANCIAL STATEMENTS

RESULT AT A GLANCE

GROSS EARNINGS	PROFIT BEFORE/LOSS TAX	PROFIT AFTER TAX
N308.927million	N18.88million	N15.10million

AS AT	2014 MARCH N'000	2013 DECEMBER N'000	INCREASED/ (DECREASED) %
Major Balance-Sheet Items:			
Cash and bank balances	1,460,786	1,576,285	-7.33
Deposits from customers	5,218,722	4,918,836	6.10
Loans and advances to customers	7,340,643	7,311,080	0.40
Total Assets	13,809,286	13,565,144	1.80
Total equity	6,729,080	6,713,976	0.22

Major Profit and Loss Account Items:	2014 MARCH N'000	2013 MARCH N'000	INCREASED/ (DECREASED) %
Gross Earnings	308,927	446,707	-30.84
Net Operating Income	229,174	233,865	-2.01
Profit Before Tax	18,880	23,671	-20.24
Profit After Tax	15,104	18,937	-20.24

Per 50k Share Data:

EarningsPer Share

-Basic(Kobo)	1.44	1.80	-20.24
-Dilute(kobo)	1.44	1.80	-20.24

STATEMENT OF COMPREHENSIVE INCOME
For the Period Ended 31 March 2014

		UNAUDITED	UNAUDITED	UNAUDITED
	Notes	3 months to Mar-14 N'000	3 months to Mar-14 N'000	3 months to Mar-13 N'000
Interest and Similar Income	5	249,986	249,986	400,460
Interest and Similar Expense	6	79,754	79,754	117,389
Net Interest Income		170,233	170,233	283,071
Fees and Commission Income	7	29,085	29,085	21,202
Fees and Commission Expense		-	-	-
Net Fee and Commission Income	7	29,085	29,085	21,202
Net Gain on revaluation of investment property at Fair value	8	-	-	-
Other Operating Income	9	29,856	29,856	25,045
Total Operating Income		229,174	229,174	329,318
Credit loss expense	10	-	-	(95,453)
Impairment losses on available for sale investment		-	-	-
Other Impairment losses		-	-	-
Net operating income		229,174	229,174	233,865
Personnel expenses	11a	95,695	95,695	89,006
Depreciation of property and equipment	11b	19,299	19,299	18,210
Amortisation of intangible assets	11c	2,124	2,124	2,086
Other operating expenses	11d	93,175	93,175	100,892
Total operating expenses		210,293	210,293	210,194
Profit before tax		18,880	18,880	23,671
Income tax expense		3,776	3,776	4,734
Profit for the Period		15,104	15,104	18,937
Other comprehensive Income				
Net loss on financial investments		-	-	-
Reclassification of net loss to income statement		-	-	-
		-	-	-
Total Other comprehensive Income for the Period		15,104	15,104	18,937
Earnings per share (Kobo) - Basic	13	1.44	1.44	1.80
Earnings per share (Kobo) - Diluted	13	1.44	1.44	1.80

The accompanying notes are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
As At 31 MARCH 2014

		UNAUDITED	AUDITED
		Mar-14	Dec-13
	Notes	N'000	N'000
Assets			
Cash and balances with central banks	14	24,483	22,713
Due from banks	15	1,436,303	1,553,572
Loans and advances to customers	16	7,340,643	7,311,080
Financial Investments - Available for sale	17	2,500	2,500
Other assets	18	467,263	127,869
Property and equipment	19	1,222,727	1,236,005
Investment Property	20	-	-
Intangible assets	21	29,218	26,255
Non-current asset held for sale	22	3,286,148	3,285,150
Total Assets		13,809,286	13,565,144
Liabilities and equity			
Deposits from customers	23	5,218,722	4,918,836
Due to National Housing Fund	24	460,994	462,773
Borrowings	24	746,834	825,245
Current income tax liability	12	39,166	35,390
Other liabilities	25	180,740	175,174
Deferred tax liabilities	26	433,750	433,750
		7,080,205	6,851,168
Equity			
Share capital	28	2,100,000	2,100,000
Share premium	29	2,877,126	2,877,126
Retained earnings	30	765,925	750,821
Statutory reserve	31	298,440	298,440
Regulatory Risk (CBN) reserve	32	687,589	687,589
Total equity		6,729,080	6,713,976
Total liabilities and equity		13,809,286	13,565,144

The financial statements were approved by the Board of directors on 15th April 2014, and signed on its behalf by :

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

Madu Hamman
Executive Director-Finance

The accompanying notes are an integral part of these financial statements

**Statement of Changes in Equity
for the period ended 31 March 2014**

	Share capital	Share Premium	Statutory Statutory reserves	Regulatory risk reserve		*Fair value Reserve	Retained Earnings	Total Equity
	N'000	N'000	N'000	N'000		N'000	N'000	N'000
Balance as at 1 January 2014	2,100,000	2,877,126	298,440	687,589		2,292,358	(1,541,537)	6,713,976
Profit for the period	-	-	-	-		-	15,104	15,104
Transfer for the period	-	-	-	-		-	-	-
Other comprehensive income for the period	-	-	-	-		-	-	-
Total comprehensive income for the period	-	-	-	-		-	15,104	15,104
Dividends	-	-	-	-		-	-	-
	-	-	-	-		-	-	-
Balance as at 31st March 2014	2,100,000	2,877,126	298,440	687,589		2,292,358	(1,526,433)	6,729,080

* THE FAIR VALUE RESERVE IS NET OF DEFERRED TAX : N'000

FAIR VALUE RESERVE(INV .IN PROPERTY)	2,520,350
DEFERRED TAX	<u>227,992</u>
	2,292,358
	<u><u>2,292,358</u></u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASHFLOW
AS AT 31 MARCH , 2014.

	Notes	Mar-14 N '000	Mar-13 N '000
Cash flows from operating activities			
Profit before tax		18,880	23,671
Change in operating assets	33a	(367,591)	49,405
Change in operating liabilities	33b	303,672	(278,694)
Other non-cash included in profit before tax	33c	20,056	115,749
Net gain from investing activities	33d	(530)	(1,385)
Income tax paid	12d	-	
Net cash flows from operating activities		(25,512)	(91,254)
Investing activities			
-Purchase of intangible assets	21	(5,087)	-
-Purchase of investment property	20	-	
-Proceeds on disposal of investment property		-	
-Proceeds on disposal of property and equipment		530	1,555
-Purchase of property and equipment		(6,020)	(24,286)
-Proceeds on disposal of equity shares		-	
-Purchase of non-current assets		(998)	
Net cash flows from operating activities		(11,575)	(22,731)
Financing activities			
- Purchase of shares		-	
- Repayments of borrowings		(78,411)	(134,118)
- Dividend paid		-	
Net cash flows from financing activities		(78,411)	(134,118)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(115,499)	(248,103)
Net foreign exchange difference		-	
Cash, cash equivalents and bank overdrafts at start of period		1,560,287	2,791,207
Cash and cash equivalents at end of period		1,444,788	2,543,104

The accompanying notes are an integral part of these financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

1 General information

"These financial statements are the financial statements of Abbey Mortgage bank Plc., a private limited liability company incorporated in Nigeria on 26 August, 1991. The bank obtained its licence to operate as a Mortgage Bank on 20th January 1992 and commenced business on 11th March, 1992. It was later converted to a public limited liability company in September 2007. On the 21st October 2008, the company became officially listed on the Nigerian Stock Exchange.

The principal activities of the Bank is the provision of mortgage and banking services and financial advisory

For the earlier years of the operations, ABBEY specialized in funding small and medium size businesses providing a solid base of deposits as well as good and reliable business. In the last few years, ABBEY has started to implement a mortgage financing strategy in tandem with its strategic vision to become "the number one mortgage service provider in Nigeria". These value propositions our ability to provide suitable financing to respond to the needs of its clientele. ABBEY currently has 140 staff in eight (8) branches and the Head Office.

2.1 Basis of preparation

A Statement of Compliance

The financial statements of the Bank are general purpose financial report which has 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 the fair valuation of certain financial instruments and investment property.

C Functional and Presentation Currency

These financial statements are presented in Naira which is the Bank's functional 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 ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

KEY SOURCES OF ESTIMATION UNCERTAINTY

(1) Allowances for credit losses

Assets accounted for at amortised costs are evaluated for impairment on a basis described in accounting policy 2.2 (G) (VI)

The specific component of 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:

Group of homogenous loans that are not considered individually significant and

Group of assets that are individually significant but were not found to be individually impaired (IBNR).

Collective allowance for groups of homogenous loans is established using statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjustment 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 significant but 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 be yet 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 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.

iii) Determining fair values

The determination of fair values 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 vary degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risk affecting the specific instrument.

(v) Depreciation 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.

(vi) 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 bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management is also required when assessing whether a previously recognised impairment loss should be reversed.

(viii) Valuation of financial instruments

The Bank's accounting policy on fair value measurement is discussed under note 2.2(G) (ix)

The bank 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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

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 bank 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 the income statement in the period in which they arise.

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.

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 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 bank estimates future cashflows 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.

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, including hedge ineffectiveness and related hedged items in fair value hedges of interest rate risk.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the bank'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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

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 draw down 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.

G 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.

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 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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. deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority.

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.

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

F Financial assets and Financial Liabilities

i Recognition of Financial Assets

All financial assets and liabilities are initially recognised on the trade date at which the Bank 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 bank classifies its financial assets in the following categories: loans and receivables; held-to-maturity investments 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.

Loans and advances

Loans and advances include loans and advances to banks and customers originated by the bank which are not classified as either held for trading or designated at fair value. Loans and advances are recognized when cash is advanced to a borrower. Loans and advances 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 effective interest 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 finance income in the income statement. The lossess arises from impairment are recognized in the statement of comprehensive income on a seperate line.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

Available-for-sale investments

Available-for-sale assets are non-derivative financial assets that are classified as available for sale and are not categorized into any of the other categories described above. Available-for-sale financial assets are initially measured at fair value plus direct and incremental transaction costs and subsequently measured at fair value, and changes therein are recognized in other comprehensive income in 'Available-for-sale reserve' until the financial assets are either sold or become impaired. When available-for-sale financial assets are sold, cumulative gains or losses previously recognized in other comprehensive income are recognized in the income statement as 'Net realized gain on sale of AFS investments'. Interest calculated using the effective interest rate method calculated over the asset's expected life. Premiums and/or discounts arising on the purchase of dated investment securities are included in the calculation of their effective interest rates.

Dividend on available for sale equity instruments are recognized in profit or loss when the Bank'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 bank has the intention and the ability to hold the asset for the foreseeable future or until maturity.

iii De-recognition of financial assets

The Bank 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 Bank 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 derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. On derecognition 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.

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 effective interest rate method except for those classified as at fair value through profit or loss.

v De-recognition of financial liabilities

The Bank derecognises financial liabilities when, and only when its obligations are discharged, cancelled or expire.

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 the income statement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

vi Identification and measurement of impairment for loans and advances

At each reporting date the Bank 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 cashflows 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

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 bank 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 Bank 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

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. 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 the income statement, is removed from other comprehensive income and recognised in the income statement.

Impairment losses for available-for-sale equity securities are recognised within 'Impairment charges and provisions for other liabilities and charges' in the statement of comprehensive income.

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

viii Collateral and Netting

The Bank 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 Bank 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 bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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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, highly liquid 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 ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

H Property, plant and equipment

i Recognition and measurement

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

The cost of the relevant property, plant 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 the profit and loss statement during the period in which they were incurred.

Construction cost in respect of offices is carried at cost as work in progress. On completion of construction, the related amounts are transferred to the appropriate category of property, plant and equipment. Payments in advance for items of property, plant and equipment are included as prepayments in other assets and upon delivery are reclassified as additions in the appropriate category of property, plant 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 bank 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.

iii Depreciation

Depreciation is provided on the depreciable amount of items of property, plant 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.

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

Motor vehicles	4years
Office and residential equipment	10years
Office furniture	10 years
Land and buildings	50years
Leasehold improvements	3years
Computer equipments	5years

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

When deciding on depreciation rates and methods, the principal factors the Bank 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 Bank 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, plant 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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognised in the income statement during the period in which they were incurred.

v Gain or loss on sale of property, plant and equipment

The gain or loss on the disposal of premises 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 income in the year in which the significant risks and rewards of ownership are transferred to the buyer.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

K Investment Properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the bank in the financial statement, are classified as investment properties. Investment properties comprise mainly of 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. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

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 bank.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the profit and loss.

L 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 bank 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 if appropriate. Costs associated with maintaining software programs are recognized as expenses when incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

N Impairment of tangible and intangible assets excluding goodwill

At each reporting date, or more frequently where events or changes in circumstances dictate, tangible and intangible assets excluding goodwill, 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 assets 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, excluding goodwill, are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. In subsequent years, the Bank 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 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.

O Provisions

Provision are recognised if, as a result of a past event, the Bank 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.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank 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 Bank recognises any impairment loss on the assets associated with that contract.

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 bank; 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.

P 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 bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation recognised in the income statement, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

Q Employee benefits

i Post employment benefits

The Bank 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. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

For defined contribution schemes, the Bank recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

ii Short term employee benefits

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

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

R 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.

Dividends on ordinary shares.

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the bank's shareholders. Dividends declared after the balance sheet date are dealt with in the subsequent period.

S Earnings per share

Basic earnings per share is calculated by dividing net profit after tax applicable to equity holders of the Bank, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

2.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial period.

The following contains effective dates of new and revised International Financial Reporting Standards and International Accounting Standards which have not been early adopted by the bank and that might affect future reporting periods.

Standards and interpretations effective during the reporting period

Amendments to the following standard(s) became effective in the reporting period from 1st January, 2013. They do not have any material impact on the accounting policies, financial position or performance of the Bank:

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 introduces new requirements for classifying and measuring financial assets. At the IASB's July 2011 meeting, the IASB decided to postpone the mandatory application of IFRS 9 to annual periods beginning on or after 1 January 2015 with early application still permitted.

IFRIC 21 - LEVIES

IFRIC 21 provides guidance on when to recognise liabilities for levies imposed by the Government including government agencies and similar bodies in accordance with rules and regulations. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group has been recognising liabilities arising from regulations e.g. SEC levy imposed on Banks. Therefore this amendment will not have material impact on the Bank.

IFRS 10 CONSOLIDATED FINANCIAL INSTRUMENTS

IFRS 10 defines an investment entity and introduces an exception from consolidation. This will particularly benefit private equity funds, will fair value all of their investments, including those that are controlled. The amendment to IFRS 10 was also accompanied by amendments to IFRS 12 and IAS 27. No impact is expected on the Financial Statements as the Bank does not control other companies assets.

IFRS 13 FAIR VALUE MEASUREMENT

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), IFRS 13 is applicable to annual reporting periods beginning on or after 1 January 2013. An entity may apply IFRS 13 to an earlier accounting period, but if doing so it must disclose the fact.

IAS 19: EMPLOYEE BENEFITS

The standard was amended which will affect Post-Employment Benefits and Termination Benefits projects and introducing enhanced disclosures about defined benefit plans. Amendments made in June 2011 and effective for annual periods beginning on or after 1 January 2013.

IAS 1- Presentation of Financial Statements:

An amendment was issued to revise the way other comprehensive income is presented in June 2011. Effective for annual periods beginning on or after July 2012

IAS 32 – Financial Instruments;

This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The bank has been applying the right of set off if it is available at the date of preparation of statement of financial position (SOFP).

We do not apply this Right of set off to contingent / future transactions in the preparation of SOFP.

Also, the Bank already complies with the legally enforceable criterion contained in these amendments by ensuring that the contractual terms and laws governing contracts give backing (support) to the right to set off financial assets and liabilities where necessary.

Lastly, the bank's settlement process entails settlement of financial assets and liabilities on a net basis. Therefore, a single amount is already being reported in the financial statements in accordance with IASB clarifications.

Based on the above we submit that these amendments would have no material impact on the bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

At 31 March 2014

IAS 36 - Impairment of assets:

This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment has an insignificant impact on the Group. The bulk of impairment of non-financial assets reported in the Group's financial statements are those related to prepaid fixed assets. These are constantly tested for impairment and recoverable amount determined using either the Value in Use Approach or Fair Value less Cost to Sell Approach depending on the availability of information. The recoverable amounts are also disclosed should there be an increase or reversal in these impairments. The appropriate fair values less cost to sell disclosures are also included in the financial statements. It is noteworthy to state that there were no event which warrant the Group to impair its non-financial assets such as Goodwill, Purchased software, Property and Equipment.

Standards and interpretations issued/amended but not yet effective

Other standards issued/amended by the IASB but are to be effective are outlined below:

Standard	Content	Effective Year
IFRS 9	Financial Instrument	1-Jan-15
Amendments to IFRS 1	FirstTime Adoption of IFRS	1-Jul-14
Amendments to IAS 40	Investment Property	1-Jul-14
Amendments to IFRS 13	FairValue measurement	1-Jul-14
Amendments to IFRS 3	Business combination	1-Jul-14

Other standards and interpretations issued that are effective for annual periods beginning after April 1, 2014, as shown in the table applied in preparing these financial statements and the bank is yet to assess the full impact of the amendments arising from these standards.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2014

	3 months to Mar-14 N'000	3 months to Mar-14 N'000	3 months to Mar-13 N'000
5 Interest and Similar Income			
Cash and short term funds	59,840	59,840	98,966
Loans and advances	190,146	190,146	301,494
	<u>249,986</u>	<u>249,986</u>	<u>400,460</u>
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 loss.			
6 Interest and Similar Expense			
Deposit from Customers	79,754	79,754	63,290
Borrowed Funds	-	-	54,099
	<u>79,754</u>	<u>79,754</u>	<u>117,389</u>
The interest on borrowings relates to the following off-shore loans:			
Afrinvest Financial Sector Limited	-	-	-
Netherlands Development Finance Company (FMO)	-	-	-
Shelter Afrique	-	-	54,099
	<u>-</u>	<u>-</u>	<u>54,099</u>
7 Net Fee and Commission Income			
Fee and commission income			
Mortgage Fees	28,973	28,973	21,199
Legal Fees	112	112	3
	<u>29,085</u>	<u>29,085</u>	<u>21,202</u>
Fee and Commission expenses	-	-	-
Net Fee and Commission Income	<u>29,085</u>	<u>29,085</u>	<u>21,202</u>
8 Net gain on revaluation of property at fair value	-	-	-
9 Other Operating income			
Income from estate department	7,132	7,132	5,213
Other income	20,827	20,827	18,447
Profit on sale of property, plant and equipment	530	530	1,385
Foreign Exchange Gain	-	-	-
Write back of impairment allowance on other assets	1,367	1,367	-
Income from investment properties	-	-	-
	<u>29,856</u>	<u>29,856</u>	<u>25,045</u>
Other income consists of income from E-payments, commission on turnover (COT) and other operational income.			
10 Credit loss expense			
The net impairment charge for credit losses comprises:			
Collective impairment	-	-	-
Individual impairment	-	-	95,453
Loan amount written off	-	-	-
	<u>-</u>	<u>-</u>	<u>95,453</u>
At the end of the period	-	-	95,453
b Other impairment losses			
Impairment on balances with other banks	-	-	-
Impairment on other assets	-	-	-
Impairment losses	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
As at 31 March 2014

	3 months to Mar-14 N'000	3 months to Mar-14 N'000	3 months to Mar-13 N'000
11 Operating Expenses			
a Personnel expenses	95,695	95,695	89,006
b Depreciation of property plant and equipment	19,299	19,299	18,210
c Amortization of intangible assets	2,124	2,124	2,086
d Administration and General expenses (11.1)	93,175	93,175	100,892
	210,293	210,293	210,194
11.1 Administrative and General expenses			
Deposit insurance commission	6,136	6,136	4,159
Directors remuneration	21,562	21,562	21,433
Auditors remuneration	2,000	2,000	2,000
Foreign loan extraordinary expense	-	-	-
Other expenses	63,477	63,477	73,300
	93,175	93,175	100,892
Other expenses			
Property plant and equipment repairs & maintenance	16,574	16,574	15,376
Outsourcing and professional services	860	860	482
Rent and Rates	3,307	3,307	2,891
Marketing, Advertising and Sponsorship	600	600	954
Subscriptions, publications, stationeries and communications	8,810	8,810	6,821
Travel and accomodation	2,577	2,577	1,907
Other administration and general expenses	30,750	30,750	44,869
	63,477	63,477	73,300

12 TAXATION		Mar-14 N'000	Dec-13 N'000
a	Current Income Tax for the Period		
	Income Tax	3,776	34,355
	Education Tax		
	Technology levy		
	Total Current Tax	3,776	34,355
	Deferred tax (Net)		
	Relating to origination and reversal of temporal differences	-	1,668
		-	1,668
		3,776	36,023
b	Reconciliation of effective tax rate		
	Profit before tax		(472,577)
	Income tax using the domestic Corporation tax rate (30%)		(141,773.00)
	Effect of minimum tax floor		148,899.00
	Income not subject to tax		(86,776.00)
	Non-deductible expenses		45,295.00
	Eduaction tax		
	Technology levy		
		-	(34,355)
c	Deferred tax arising during the period		
	Deferred tax assets(Note 26a)		-
	Deferred tax liabilities(Note 26a)		
	Net impact on profit & loss	-	-
d	The movement in the current income tax liability is as follows:	Mar-14 N'000	Dec-13 N'000
	At start of the period	35,390	26,108
	Under/ (over) provision		-
	Tax effect of translation		
	Charge for the period	3,776	34,355
	Payments during the period	-	(25,073)
	At 31	39,166	35,390

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act, 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.

13 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.

	Mar-14 N '000	Mar-14 N '000	Mar-13 N '000
Profit after taxation attributable to the shareholders	60,417	60,417	75,748
Weighted average number of shares	4,200,000	4,200,000	4,200,000
	<u>1.44</u>	<u>1.44</u>	<u>1.80</u>

Diluted

Diluted EPS is calculated by dividing net income as adjusted by interest paid, with the sum of of the weighted average shares outstanding and any additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

There was no dilution of ordinary shares during the year.

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

Mar-14
N'000

Dec-13
N'000

14 Cash and balances with central bank

Cash	8,735	6,965
Deposits with CBN	15,748	15,748
	<u>24,483</u>	<u>22,713</u>

15a Due from banks

Balances with FMBN	250	250
Balances with other Banks	(44,080)	88,233
Fixed placement with Banks	1,480,133	1,465,089
Less impairment loss		
	<u>1,436,303</u>	<u>1,553,572</u>

15b Movements on impairment Loss

At the beginning of the period		267
Charge for the period	.	-
Write back		(267)
	<u>-</u>	<u>-</u>

The bank 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 bank's day-to-day operations.

16 Loans and advances to customers			
Mortgages	6,480,158	6,391,840	
Advances	1,347,373	1,393,967	
National Housing Fund	489,013	502,540	
	<u>8,316,543</u>	<u>8,288,347</u>	
	8,316,543	8,288,347	
Collective provision for impairment	120,485	120,486	
Specific provision for impairment	<u>855,414</u>	<u>856,781</u>	
Total impairment allowance for uncollectibility	<u>975,900</u>	<u>977,267</u>	
Total	7,340,643	7,311,080	
16b The movement on impairment loss was as follows:			
Collective impairment			
At beginning of the period	120,486	118,835	
Charge for the period		1,651	
Provisions no longer required	-	-	
At end of the period	<u>120,486</u>	<u>120,486</u>	
Individual impairment			
At the beginning of the period	856,781	800,291	
Write off		(5,992)	
Provisions no longer required	(1,367)	(182,235)	
Provision for the period		244,717	
At the end of the period	<u>855,414</u>	<u>856,781</u>	
Total Impairment	975,900	977,267	
16c Analysis by Sector (Gross)			
Construction loans	1,091,722	1,100,380	
Loans and advances	242,495	286,643	
Mortgage FMBN loan	15,239	17,102	
Mortgage loans	5,309,291	5,155,361	
NHF loans	484,161	495,129	
Schl loans	424,302	454,611	
Staff mortgage loans	148,863	173,160	
Staff personal loans	8,137	7,738	
Staff share loans	592,333	598,223	
Others			
	<u>8,316,543</u>	<u>8,288,347</u>	
16d Analysis by security (Gross)			
Secured against real estate	7,189,639	7,311,119	
Otherwise secured	1,085,786	927,639	
Unsecured	<u>41,118</u>	<u>49,589</u>	
Total	<u>8,316,543</u>	<u>8,288,347</u>	

17 **Financial Investments**

Available-for-sale investments

Quoted investments

Equities	19,298	19,298
Specific impairment allowance	(16,798)	(16,798)

Unquoted investments

Equities	5,304	5,304
Collective impairment	(5,304)	(5,304)
Specific impairment allowance	2,500	2,500

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

17.1 **Specific Allowances for impairment on afs Investments**

Balance, beginning of year	22,102	22,102
Charge for the year		
Allowance write -off		
	22,102	22,102

17.2 **Movements in available for sale investment (quoted)**

Balance, beginning of year	19,298	19,298
Addition	-	
Disposal		
	19,298	19,298

18 **Other assets**

Prepayments	359,709	88,682
Stationery And Stocks	6,334	6,413
Sundry receivables	118,636	50,189
Allowance for uncollectibility	(17,415)	(17,415)
	467,263	127,869

18.1 **Movement In Impairment For Other assets**

Balance, beginning of year	17,415	1,825
Impairment During the year		15,590
Allowance write -off		-
	17,415	17,415

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

19 Property, plant and equipment

	Capital Work-in-progress N'000	Leasehold Improvement N'000	Land and Building N'000	Furniture, office and residential N'000	Computer Equipment	Motor Vehicles N'000	Total N'000
Cost							
At 1 January 2014		697	1,090,035	177,953	97,828	217,248	1,583,761
Additions		-		121	399	5,500	6,020
Reclassifications		-					-
Disposal		-					-
Transfer	-	-			-		-
At 31 March 2014	-	697	1,090,035	178,074	98,227	222,748	1,589,781
Accumulated depreciation							
At 1 January 2014	-	697	40,313	75,631	73,450	157,665	347,756
Charge for the year	-		5,407	3,905	2,694	7,292	19,298
Reclassifications							-
Disposals							-
TRANSFER		-		-	-	-	-
At 31 March 2014	-	697.00	45,720.00	79,536.00	76,143.58	164,957.00	367,053.58
NBV at 31 March 2014	-	-	1,044,315	98,538	22,083	57,791	1,222,727
NBV at 31 December 2013	0	0	1,049,722	102,322	24,378	59,583	1,236,005

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 period.

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

20	Investment Properties	Mar-14 N'000	Dec-13 N'000
	Opening carrying amount	-	2,977,150
	Additions		
	Net transfers		11,250
	Capital improvements		7,497
	Fair value gain/(loss)	-	289,253
	Transfer to non-current assets held for sale		(3,285,150)
	Closing carrying amount	-	-

A stipulation by CBN has resulted in the reclassification to non-current assets held for sale.

21	Intangible assets	Mar-14		Dec-13	
		Computer Software	Total	Computer Software	Total
		N '000	N '000	N '000	N '000
	At 1 January				
	Acquisition cost	47,847	47,847	47,847	47,847
	Accumulated amortisation	(21,592)	(21,592)	(13,641)	(13,641)
	Net book amount	26,255	26,255	34,206	34,206
	Period ended 31:				
	Opening net book value	26,255	26,255	34,206	34,206
	Additions	5,087	5,087	-	-
	Exchange differences	-	-	-	-
	Amortisation charge	(2,124)	(2,124)	(7,951)	(7,951)
	Closing net book amount	29,218	29,218	26,255	26,255
	Cost less total accumulated amortization				
	At 31 December				
	Acquisition cost	52,934	52,934	47,847	47,847
	Accumulated amortisation	(23,716)	(23,716)	(21,592)	(21,592)
	Net book amount	29,218	29,218	26,255	26,255

The intangible assets consists wholly of the Company's computer software. The assets which are material include:
 Finnone Software with carrying amount of N15m(2012:N 19m) and remaining amortisation period of 3years.
 E-banking Software with carrying amount of N9m(2012:N11m) and remaining amortisation period of 4 years.

22	Non-current assets-held for sale	Mar-14 N '000	Dec-13 N '000
	Carrying Amount	3,285,150	3,285,150
	Improvement	998	
		3,286,148	3,285,150

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

23 Due to Customers		
	Mar-14	Dec-13
	N '000	N '000
Demand Deposits	272,742	567,306
Term Deposits	3,441,031	2,842,062
Savings Deposits	1,504,948	1,509,468
	<u>5,218,722</u>	<u>4,918,836</u>
Current	1,777,690	2,076,774
Non-current	3,441,031	2,842,062
	<u>5,218,722</u>	<u>4,918,836</u>

24 Due to National Housing Fund		
On-lending Funds	<u>460,994</u>	<u>462,773</u>

The funds are obtained from Federal Mortgage Bank of Nigeria 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.

25 Borrowings	Mar-14	Dec-13
	N '000	N '000
Borrowings comprise:		
Africinvest Financial Sector Limited	-	-
Netherlands Development Finance Company (See(note) Below)	746,834	825,245
Shelter-Afrique	-	-
	<u>746,834</u>	<u>825,245</u>
Current	-	-
Non-current	<u>746,834</u>	<u>825,245</u>
	<u>746,834</u>	<u>825,245</u>

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

The amount of N760,618,000 represents the 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% respectively.

26 Other Liabilities	Mar-14	Dec-13
	N '000	N '000
Interest received in advance	10	-
Rent and other fees received in advance	3,142	3,142
Accounts payable	171,014	165,186
Staff pension contribution	4,163	4,434
Information technology levy	2,412	2,412
Prov for forex	-	-
	<u>180,740</u>	<u>175,174</u>

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.

26.1 Retirement benefit obligations

Defined contribution scheme		
Pension liability	<u>4,163</u>	<u>4,434</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

27 Deferred tax liability

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

	Mar-14 N '000	Dec-13 N '000
At the beginning of the period	433,750	432,082
Arising during the period	-	1,668
	<u>433,750</u>	<u>433,750</u>

27.1 Deferred tax asset and liabilities are attributable to the followings

Deferred tax liability		
Properties and equipments	148,434	148,434
Investments properties	227,992	227,992
Allowances for loan losses	46,653	46,653
Other assets	9,150	9,150
Foreign exchange translation difference	1,521	1,521
	<u>433,750</u>	<u>433,750</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

28 Capital and Reserve

28.1 Share capital	Mar-14	Dec-13
	N '000	N '000
Authorised		
7 billion ordinary shares of 50 kobo each	3,500,000	3,500,000
b Issued and fully paid		
4.2 billion ordinary shares of 50k each	2,100,000	2,100,000
Movements during the period:	Number of shares '000	Number of shares '000
At 1 January	4,200,000	4,200,000
Capitalised during the period	-	-
Issue of new shares	-	-
At 31	4,200,000	4,200,000

29 Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

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

	N '000	N '000
As at 31st	<u>2,877,126</u>	<u>2,877,126</u>

There was no movement in share premium during the year

30 Retained earnings:	Mar-14	Dec-13
	N '000	N '000
Balance as at 01 January	750,821	1,680,927
Dividends Paid	-	-
	750,821	1,680,927
Other Comprehensive Income	15,104	(508,600)
Transfer to Statutory Reserve	-	(421,506)
Transfer to Regulatory risk reserve	-	-
Balance as at 31 December	765,925	750,821
Retained earnings as at	<u>765,925</u>	<u>750,821</u>

31 Statutory Reserve:	Mar-14	Dec-13
Undistributable earnings required to be kept by the nations central bank in	N '000	N '000
At the beginning of the period	298,440	298,440
Transfer from profit and loss account	-	-
As at 30th	<u>298,440</u>	<u>298,440</u>

Nigerian banking regulations require the company to make an annual appropriation to a statutory reserve. As stipulated by s.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.

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

3231 **REGULATORY RISK RESERVE**

The regulatory risk serve is a non-distributable reserves required by the regulations of the Central bank of Nigeria to be kept for impairment losses on loans and advances to customers in excess of IFRS charge as derived using the incurred loss model.

Where the loan loss impairment determined using the central bank of Nigeria prudential guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the bank.

Where the loan loss impairment determined using the central bank of Nigeria prudential guidelines is less than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred from regulatory risk reserve to the retained earning to the extent of the non-distributable reserve previously recognised.

	Mar-14 N'000	Dec-13 N'000
Balance b/f	687,589	266,083
Transfer from Retained Earnings	-	421,506
BALANCE	687,589	687,589

STATEMENT OF PRUDENTIAL ADJUSTMENTS

	Mar-14 N'000	Dec-13 N'000
Prudential Guidelines Provision:		
General	56,939	56,939
Specific	1,607,917	1,607,917
TOTAL	1,664,856	1,664,856

IFRS PROVISIONS:

Specific Impairment	120,486	120,486
Collective Impairment	856,781	856,781
TOTAL	977,267	977,267

Decrease*/(increase) in IFRS impairment over prudential guidelines	687,589	687,589
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NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

33 Additional cash flow information

	Mar-14 N'000	Mar-13 N'000
Cash and cash equivalents		
Cash on hand	8,735	12,374
Due from banks	1,436,053	2,530,731
	1,444,788	2,543,105

The deposits with the Central Bank and FMBN (SEE Note 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.

33a Change in Operating assets

Net change in fair value of investment properties	-	-
Net change in loans and advances to customers	(28,196)	149,779
Net change in other assets	(339,394)	(100,374)
	(367,591)	49,405

33b Change in Operating liabilities

Net change in due to customers	299,886	(242,355)
Net change indue to NHF	(1,779)	(8,560)
Net change in other liabilities	5,566	-27,779
	303,672	-278,694

33c Other non-cash items included in profit before tax

Depreciation of property and equipment	19,299	18,210
Amortisation of other intangible assets	2,124	2,086
Impairment losses on loan	-	95,453
Impairment losses on financial investments	-	
PROV NO LONGER	(1,367)	
Foreign exchange gain	-	
Impairment losseswritten off	-	
	20,056	115,749

33d Gains or loss from investing activities

Profit on disposal of property ,plant and equipment	(530)	(1,385)
Profit on disposal of investment property	-	.
	(530)	(1,385)

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

35.0 Related Parties 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 N531.63million (DEC.2012: N74 million).

Name of Borrower	Relationship to Reporting Institution	Amounting Outstanding March 2014 N'000	Amounting Outstanding December 2013 N'000	Interest Paid March 2014	Interest Paid December 2013	Facility Type	Status	Perfectured Security Nature
1 INFANT JESEU ACADEMY	Managing director	351,467	352,074	25,991	1,668	Mortgage loan	Performing	LEGAL MORTGAGE
2 ROSABON INV.	CHAIRMAN	14,067	15,236	5,369	25,925	Housing loan	Performing	EQUITABLE MORTGAGE/CASH
3 MADU HAMMAN	DIRECTOR	17,105	20,802	2,964	2,361	Mortgage loan	Performing	LEGAL MORTGAGE
4 BERNARD OKUMAGBA	DIRECTOR	150,263	150,181	5,597	-			LEGAL MORTGAGE
		532,902	538,293	39,921	29,954			

35.1 Key Management Compensation

	Mar-14 N '000	Mar-13 N '000
Salaries and other short term employee benefits	95,695	89,006
Post -employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	95,695	89,006

36 Employees

The average number of persons employed by the company during the period was as follows:

	Number	Number
Executive directors	3	3
Management	16	15
Non-management	125	123
	144	141

Compensation for the above staff

	Mar-14 N '000	Mar-13 N '000
Salaries and wages and other staff related expenses	91,217	87,644
Pension Cost-Defined contribution scheme	4,478	1,362
	95,695	89,006

The number of employees of the company other than the directors , who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

Below -1,000,000	4	8
1,000,001-2,000,000	74	11
2,000,001-3,000,000	28	87
3,000,001-4,000,000	11	9
4,000,001-5,000,000	4	3
Above-5,000,000	23	23
	144	141

In accordance with the provision of the Pension Act 2004, the Company commenced a contributory pension scheme in January 2005. The contribution by employees and the Company are 7.5% and 7.5% respectively of the employees, basic salary,housing and transport allowances

NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 31 March 2014

37.0	Directors emoluments	Mar-14	Mar-13
		N '000	N '000
	Fees and other allowances	2,400	2,616
	Executive Compensation	17,411	17,215
	Pension cost-defined contribution scheme	537	358
	Other directors expense	<u>1,214</u>	<u>1,244</u>
		21,562	21,433

38 **Events After Reporting Date**

There were no events after reporting date which could have a material effect on the financial position of the Company as at 31 January 2014 and profit attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

39 **Dividend Payable**

No dividend was proposed for the period, (2013-Nil)

40 **Compliance with Banking Regulations**

The Company Complied with all CBN regulations during the period, there were no contraventions to be reported during the period.

**Value Added Statement
For the Year Ended 31 March 2014**

	Mar-14 N'000	%	Mar-14 N'000	%
Gross Income	308,927		446,707	
Interest Expense	(79,754)		(117,389)	
	229,174		329,318	
Impairments	-		-	
Administrative Expenses	(93,175)		(100,892)	
Value added	135,998		228,426	
Value added distribution				
To employees				
-Salaries and other benefits	95,695		89,006	
To government				
-Income taxes	3,776		4,734	
-It levy	-		-	
-Deferred taxes	-		-	
The future				
-Depreciation and Ammortisation	21,423		20,296	
-Transfer to reserves	15,104		18,937	
	135,998		132,973	

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.

FIVE YEAR SUMMARY-

STATEMENT OF FINANCIAL POSITION	IFRS				NGAAP	
	Mar-14 N'000	Dec-13 N'000	Dec-12 N'000	Dec-11 N'000	Dec-10 N'000	Oct-09 N'000
Assets						
Cash and balances with central banks	24,483	22,713	25,422	18,934	18,190	13,137
Due from banks	1,436,303	1,553,572	2,781,533	2,880,726	3,488,962	4,154,970
Loans and advances to customers	7,340,643	7,311,080	7,127,250	7,200,126	6,272,719	5,322,388
Other assets	467,263	127,869	130,137	116,626	107,242	80,984
Financial Investments - Available for sale	2,500	2,500	2,500	16,704	41,138	40,902
Property and equipment	1,222,727	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	29,218	26,255	34,206	25,713	3,121	-
Non-current assets held for sale	3,286,148	3,285,150	-	-	-	-
Deferred tax	-	-	19,493	19,493	9,376	-
Total Assets	13,809,286	13,565,144	14,334,696	14,071,351	12,834,988	10,730,913
Liabilities and equity						
Deposits from customers	5,218,722	4,918,836	4,147,111	3,723,215	3,459,835	4,323,966
Due to National Housing Fund	460,994	462,773	489,146	373,784	385,086	400,487
Borrowings	746,834	825,245	1,855,782	2,400,491	1,707,078	275,000
Current income tax liability	39,166	35,390	26,108	39,325	89,516	110,305
Other liabilities	180,740	175,174	142,398	140,707	131,929	154,194
Deferred tax liabilities	433,750	433,750	451,575	390,228	110,240	62,359
	7,080,205	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	2,100,000
Share premium	2,877,126	2,877,126	2,877,126	2,877,126	2,877,126	2,877,126
Retained earnings	765,925	750,821	1,680,927	1,621,535	1,738,478	179,317
Statutory reserve	298,440	298,440	298,440	254,645	235,700	248,159
Regulatory R isk (CBN) reserve	687,589	687,589	266,083	150,295	-	-
Total equity	6,729,080	6,713,976	7,222,576	7,003,601	6,951,304	5,404,602
Total liabilities and equity	13,809,286	13,565,144	14,334,696	14,071,351	12,834,988	10,730,913

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 March 2014

	Mar-14 N'000	IFRS			NGAAP	
		Dec-13 N'000	Dec-12 N'000	Dec-11 N'000	Dec-10 N'000 (14MONTHS)	Oct-09 N'000
Interest and Similar Income	249,986	818,995	1,762,553	1,454,819	1,253,491	1,146,958
Interest and Similar Expense	79,754	439,084	443,785	397,780	385,437	307,480
Net Interest Income	170,233	379,911	1,318,768	1,057,039	868,054	839,478
Fees and Commission Income	29,085	175,047	73,115	50,871	291,120	177,585
Fees and Commission Expense	-	-	-	-	-	-
Net Fee and Commission Income	29,085	175,047	73,115	50,871	291,120	177,585
Net Gain on revaluation of investment property at Fair value	-	289,253	197,021	200,931	-	-
Other Operating Income	29,856	37,664	87,544	85,901	149,602	182,665
Total Operating Income	229,174	881,875	1,676,448	1,394,742	1,308,776	1,199,728
Credit loss expense	-	(64,133)	(440,579)	51,884	-95,126	-192,940
Impairment losses on available for sale investment	-	-	(4,040)	(7,598)	0	-
Other Impairment losses	-	267	(267)	(3,587)	-	0
Net operating income	229,174	818,009	1,231,562	1,435,441	1,213,650	1,006,788
Personnel expenses	95,695	362,248	372,591	313,642	292,788	206,464
Depreciation of property and equipment	19,299	75,507	68,358	64,061	86,412	71,121
Amortisation of intangible assets	2,124	7,951	6,262	1,750	-	0
Other operating expenses	93,175	844,880	479,025	483,154	462,020	374,976
Total operating expenses	210,293	1,290,586	926,236	862,607	841,220	652,561
Profit before tax	18,880	(472,577)	305,326	572,834	372,430	354,227
Income tax expense	-	36,023	86,351	310,538	90,510	118,899
Profit for the Period	18,880	(508,600)	218,975	262,296	281,920	235,328
Other comprehensive Income						
Net loss on financial investments	-	-	(4,040)	(7,598)	-	-
Reclassification of net loss to income statement	-	-	4,040	7,598	0	0
	-	-	-	-	-	-
Total Other comprehensive Income for the Period	18,880	(508,600)	218,975	262,296	281,920	235,328
Earnings per share (Kobo) - Basic	1.44	-12.11	5.21	6.25	6.7	5.6
Earnings per share (Kobo) - Diluted	1.44	-12.11	5.21	6.25	5.60	5.6