

ASO SAVINGS AND LOANS PLC

ABUJA, NIGERIA

REPORTS OF THE DIRECTORS AND AUDIT COMMITTEE
AND FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

ASO SAVINGS AND LOANS PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

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ASO SAVINGS AND LOANS PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors have pleasure in presenting to the members of the ASO Savings & Loans Plc., their report and the audited financial statements for the year ended 31 December 2013.

CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

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

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

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

ASO SAVINGS AND LOANS PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

OPERATING RESULTS

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

	12 Months 2013 N'000	9 Months 2012 N'000
Gross Earnings	10,299,129	10,157,867
Profit before income tax	608,764	296,359
Income tax expense	(401,255)	(413,502)
Profit after tax	207,509	(117,143)
Profit attributable to equity holders	207,509	(117,143)
Appropriation: Transfer to accumulated losses	207,509	(117,143)
	207,509	(117,143)
Total non- performing loans as % of gross loans	22%	24%
Cost to income	95%	97%
Return on assets	0.2%	(0.15%)
Return on shareholders' funds	3.9%	(6%)
Profit/(loss) per share (kobo)- Basic	1.41	(1.35)
Profit/(loss) per share (kobo)- Diluted	1.41	(1.35)

ASO SAVINGS AND LOANS PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS WHO SERVED DURING THE YEAR

The following directors served during the year under review:

Name	Designation	Date appointed/ Resigned in 2013
Mr. Olatunde Ayeni	Chairman	-
Mr. Collins Chikeluba	Vice-Chairman	Resigned 24 July 2013
Mr. Hassan Usman	Managing Director/CEO	-
Dr. Musa Ahmed Musa	Non-Executive Director	-
Mr. Joshua Maikori	Non-Executive Director	-
Mr. Olutoyin Okeowo	Non-Executive Director	Appointed 12 June 2013
Mr. Ali Magashi	Non-Executive Director	Appointed 19 September 2013
Mr. Mohammed I. Shehu	Executive Director (Operations & Technology)	-
Mrs. Maimuna S. Aliyu	Executive Director (Marketing)	Resigned 6 September 2013
Mr. Peter Longe	Executive Director (Finance)	Resigned 6 November 2013
Mr. Adekunle Adedigba	Executive Director (Finance)	Appointed 17 December 2013

GOING CONCERN

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

FREQUENCY OF REPORTING

According to the Central Bank of Nigeria directive (with circular number BSD/DIR/GEN/CIR/VOL.2/ 004) on the uniformity of accounting year-end dates for Other Financial Institutions (OFIs) sub-sector, to which ASO Savings and Loans Plc. belongs, the Board has agreed henceforth to adopt 31st December from the prior year-end date of 31st March, with effect from December 2012. Hence, the financial statements for year ended 31 December 2012 is for a 9-month period (1st April - 31st December, 2012)

DIRECTOR'S INTEREST IN SHARES

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

	31 December 2013 Direct	31 December 2013 Indirect	31 December 2012 Direct	31 December 2012 Indirect
Olatunde Ayeni*	3,068,181,817	589,818,181	470,000,000	NIL
Joshua Audu Maikori	4,283,227	NIL	4,884,620	NIL
Dr. Musa Ahmed Musa**	NIL	1,972,533,790	NIL	NIL
Olutoyin Okeowo***	NIL	NIL	NIL	NIL
Ali Magashi***	NIL	NIL	NIL	NIL
Hassan Usman	21,266,000	NIL	21,266,000	NIL
Mohammed I. Shehu	NIL	NIL	NIL	NIL
Adekunle Adedigba	NIL	NIL	NIL	NIL

ASO SAVINGS AND LOANS PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

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

**The above shareholding is held by Abuja Investments Company Limited and Dr. Musa Ahmed Musa represents the Company on the Board of ASO.

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

Beneficial ownership

The Bank is owned by Nigerian citizens and corporate bodies.

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 December 2013 is as follows:

RANGE	No of Holders	Holders %	Units	Units %
1 - 1,000	463	5.46	300,852	0.00
1,001 - 5,000	1,194	14.09	4,418,409	0.03
5,001 - 10,000	1,037	12.23	8,782,446	0.06
10,001 - 50,000	2,758	32.54	90,436,185	0.61
50,001 - 100,000	1,227	14.48	105,263,775	0.71
100,001 - 500,000	1,219	14.38	299,994,399	2.04
500,001 - 1,000,000	246	2.90	199,093,844	1.35
1,000,001 - 5,000,000	225	2.65	535,743,526	3.63
5,000,001 - 10,000,000	25	0.29	203,208,988	1.38
10,000,001 - 50,000,000	53	0.63	1,426,846,812	9.68
50,000,001 - 100,000,000	9	0.11	729,671,100	4.95
100,000,001 - 500,000,000	13	0.15	2,486,611,142	16.87
50,000,0001 - 100,000,0000	4	0.05	3,214,807,726	21.81
100,000,001 - 14,741,247,750	3	0.04	5,436,554,598	36.88
	8,476	100.00	14,741,733,802	100.00

The following shareholders have shareholdings of 5% and above as at 31 December 2013:

Shareholder	31 December 2013	31 December 2012
	% holding	% holding
Abuja Investment Company Limited	13.38	10
APT Securities & Funds Limited	14.59	14.06
Ayeni John Olatunde	20.81	-
ESL Securities Limited	-	10.37
First Pen Cust/Asset Management Corporation Of Nig-MAI	6.52	-
Grovecrest Properties Limited	-	7
Other investors	44.70	58.57
Total	100.00	100.00

ASO SAVINGS AND LOANS PLC**REPORT OF THE DIRECTORS - Continued****FOR THE YEAR ENDED 31 DECEMBER 2013****Donations**

The Bank during the year donated a total sum of ₦ 22,150,000 (31 December 2012: ₦28,960,000) to various charitable organizations and higher educational institutions in the country, details of which are shown below. No donation was made to any political organization.

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

Analysis of women employed by the Bank during the year ended 31 December 2013:

Description	Number	Percentage to Total Staff
Female new hire	13	39.4%
Male new hire	20	60.6%
Total new hire	33	5.5%
Total staff	594	100
Females as at 31 December 2013	225	33.9%
Males as at 31 December 2013	439	66.1%
Total staff	664	100

ASO SAVINGS AND LOANS PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

Analysis of top management positions by gender as at 31 December 2013:

Grade	Female	Male	Number
Senior Management (AGM - GM)	3	6	9
Middle Management (DM - SM)	9	22	31
Total	12	28	40

Analysis of executive and non-executive positions by gender as at 31 December 2012:

Grade	Female	Male	Number
Executive Director	NIL	1	1
Managing Director	NIL	1	1
Non-Executive Director	NIL	5	5
Total		7	7

Acquisition of own shares

The Bank did not acquire any of its shares during the year ended 31 December 2013 (31 December 2012: Nil)

PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plant and equipment is provided in Note 21 to the financial statements.

EMPLOYEE INVOLVEMENT

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

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

EMPLOYMENT OF DISABLED PERSONS

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

ASO SAVINGS AND LOANS PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

HEALTH, SAFETY OF EMPLOYEES

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

EVENTS AFTER THE REPORTING DATE

The Bank is in the process of finalizing the acquisition of one of the biggest Mortgage Banks in the industry (Union Homes Savings and Loans Limited) with a view to integrating both entities. Memorandum of Understanding ("MOU") and Transaction Implementation Agreement ("TIA") have been executed with the entity's parent company. The Central Bank of Nigeria ("CBN") has also given its 'no objection' to the proposed acquisition. The acquisition is expected to be concluded before the end of the third quarter of the 2014 financial year.

AUDITORS

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

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

BY ORDER OF THE BOARD

COMPANY SECRETARY

30 October 2014

ASO SAVINGS AND LOANS PLC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

BACKGROUND:

In recent years, Corporate Governance has emerged on the global agenda as a key part in the pursuit of proper and efficient practice in the administration of business entities. It ensures fairness, transparency and integrity of the Board and Management while optimizing stakeholder satisfaction.

We view sound Corporate Governance as a way of life rather than a regulatory compulsion. We have also within the year, ensured responsible, value driven management and control of the Bank through our system of Corporate Governance. Our report underscores our governance practices in Board oversight, relationship with Shareholders and other Stakeholders, Risk Management, Financial Reporting, Accountability and Audit as well as Ethics and Corporate Social Responsibility.

THE BOARD OF DIRECTORS:

Composition and Structure:

Our Board structure is unitary and comprises of Eight (8) Directors, with a healthy mix of Executive and Non-Executive Directors. At the helm of the Board structure is the Board Chairman, a non-Executive Director, responsible for providing overall leadership and direction for the Board and the Bank. The Managing Director/CEO heads the management team and oversees the executive management of the Bank's operations. He is assisted in this regards by the Executive Directors who respectively man strategic aspects of the Bank's activities. The Non-Executive Directors act as a counterbalance to the influence of the Chairman or CEO over board decision making as well as provide a wide range of skills and experience to the Board.

Appointment to the Board is based on merit and against objective criteria. Care is taken to ensure that the appointees have sufficient time to devote to their Board duties. The Board also ensures that plans are in place for orderly succession, so as to maintain an appropriate balance of skills and experience within the Bank.

With the steady growth in business and operations, the Board composition is gradually strengthened to achieve a more effective representation and oversight. To this end, the Bank has secured the requisite approvals for an increase in the maximum board composition to 15 Directors. An Independent Director has also been appointed, subject to ratification by the regulators, to provide further independence and objectivity to Board deliberations.

Duties of the Board:

The Board provides strategic direction to the Bank; oversees effective performance of the Management and is primarily responsible for ensuring good Corporate Governance in the Bank. In discharge of its duties, the Board meets regularly per an annual calendar of Board Meetings agreed upon at the beginning of the year. The Board has in line with its charter, within the year, effectively discharged its primary duties as follows:

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

The Board majorly undertakes these responsibilities through various Board Committees but nevertheless retains responsibility notwithstanding the delegation to Committees.

Overview of the Board Committees:

Five (5) Board Committees presently assist the Board in discharging its functions; Audit Committee, Board Risk Management and Investment Committee, Board Credit Committee, Board Compensation and Welfare Committee and Board General Purpose and Nomination Committee. These Committees are guided by their respective charters which define their mandate, composition and working procedure. Membership is effectively drawn to provide the relevant skills and competences required per each Committee's mandate. Although basically constituted by Board Members, attendance of relevant Senior Management staff may be required to assist with the deliberations. Independent external professional advice is also sought in deserving circumstances. The Bank Secretary acts as secretary to the Committees.

Audit Committee:

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

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

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

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

Board Risk Management and Investment Committee:

This Seven (7) man Committee was set up to assist the Board in its determination and oversight of the risk profile, risk management framework and the risk reward strategy of the Bank. The Committee has within the year discharged its functions per its charter by:

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

Board Credit Committee:

The Board Credit Committee is made up of Six (6) members and has within the financial year undertaken the following functions amongst others:

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

Board Compensation/Welfare Committee:

This Committee is made up of Four (4) members and was basically set up to advise the Board on the Bank's compensation policies as well as matters pertaining to Corporate Governance. Within the year, it had:

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

Board General Purpose/ Nomination Committee:

The Board General Purpose / Nomination Committee is made up of Five (5) members. Within the year, the Committee's activities have been guided by its terms of reference as follows:

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

ASO SAVINGS AND LOANS PLC

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

In the discharge of their functions, the Board and Board Committees have met regularly to deliberate and take decisions on issues within their respective mandates. These meetings have recorded high attendances with few well explained absences.

Below is a table showing the various Board and Board Committees meetings held within the period as well as recorded attendances for each director and member. Disclosed attendances reflect the persons who at any time within the Financial Year have either been a member or were obliged to personally be in attendance at the respective meetings. Explanatory footnotes have been supplied to avail clarifications where necessary.

Full Board Meeting Attendances:

5 Meetings were held within the year with the following in attendance:

S/N	NAMES OF DIRECTORS	27 MARCH 2013	27 JUNE 2013	24 JULY 2013	3 SEPTEMBER 2013	13 DECEMBER 2013	TOTAL ATTENDANCES
1	TUNDE AYENI	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT	5/5
2	JOSHUA MAIKORI	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT	5/5
3	DR. MUSA A. MUSA	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT	5/5
4*	OLUTOYIN OKEOWO	N/A	PRESENT	PRESENT	PRESENT	PRESENT	4/5
5**	ALI MAGASHI	N/A	N/A	N/A	N/A	PRESENT	1/5
6	HASSAN USMAN	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT	5/5
7	MOHAMMED I. SHEHU	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT	5/5
8***	MAIMUNA ALIYU	ABSENT	PRESENT	ABSENT	ABSENT	N/A	1/5
9****	PETER LONGE	PRESENT	PRESENT	PRESENT	ABSENT	N/A	3/5
10*****	ADEKUNLE ADEDIGBA	N/A	N/A	N/A	N/A	N/A	0/5

*Olutoyin Okeowo was appointed to the Board w.e.f. 12 June 2013.

**Ali Magashi was appointed to the Board w.e.f. 19 September 2013.

***Maimuna Aliyu resigned from the Board w.e.f. 6 September 2013.

****Peter Longe resigned from the Board effectively 6 November 2013.

*****Adekunle Adedigba was appointed to the Board effective 17 December 2013.

Audit Committee Meeting Attendances:

4 meetings were held within the year with the following in attendance:

S/N	NAMES OF COMMITTEE MEMBERS	19 MARCH 2013	19 JUNE 2013	24 SEPTEMBER 2013	12 DECEMBER 2013	TOTAL ATTENDANCES
1	IBRAHIM ORUMA	PRESENT	PRESENT	PRESENT	PRESENT	4/4
2	DR FAROUK UMAR	PRESENT	PRESENT	PRESENT	PRESENT	4/4
3	EL-AMIN BELLO	ABSENT	PRESENT	PRESENT	PRESENT	4/4
4	JOSHUA MAIKORI	PRESENT	PRESENT	PRESENT	PRESENT	4/4
5	DR. MUSA A. MUSA	ABSENT	PRESENT	PRESENT	PRESENT	3/4
6*	COLLINS CHIKELUBA	PRESENT	PRESENT	N/A	N/A	2/4
7**	OLUTOYIN OKEOWO	N/A	N/A	N/A	N/A	0/4
8	MOHAMMED I. SHEHU	PRESENT	PRESENT	PRESENT	PRESENT	4/4
9	RAHEEM OWODEYI	PRESENT	PRESENT	PRESENT	PRESENT	4/4

* Collins Chikeluba resigned from the Board and consequently the Audit Committee effectively 24 July 2013

** Olutoyin Okeowo was appointed to the Audit Committee w.e.f. 13 December 2013.

ASO SAVINGS AND LOANS PLC

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

Board Credit Committee Meeting Attendances:

5 meetings were held within the year with the following in attendance:

S/N	NAMES OF COMMITTEE MEMBERS	20 MARCH 2013	19 JUNE 2013	30 JULY 2013	2 SEPTEMBER 2013	12 DECEMBER 2013	TOTAL ATTENDANCES
1	JOSHUA MAIKORI	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT	5/5
2*	COLLINS CHIKELUBA	PRESENT	PRESENT	N/A	N/A	N/A	2/5
3	DR. MUSA A. MUSA	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT	5/5
4**	OLUTOYIN OKEOWO	N/A	N/A	N/A	N/A	N/A	0/5
5***	ALI MAGASHI	N/A	N/A	N/A	N/A	N/A	0/5
6	HASSAN USMAN	PRESENT	ABSENT	ABSENT	PRESENT	ABSENT	2/5
7****	MAIMUNA S. ALIYU	PRESENT	ABSENT	ABSENT	ABSENT	N/A	1/5
8*****	PETER LONGE	PRESENT	PRESENT	PRESENT	ABSENT	N/A	3/5
9*****	ADEKUNLE ADEDIGBA	N/A	N/A	N/A	N/A	N/A	0/5

* Collins Chikeluba resigned from the Board and consequently the Board Credit Committee effectively 24 July 2013

** Olutoyin Okeowo was appointed to the Board Credit Committee w.e.f. 13 December 2013.

*** Ali Magashi was appointed to the Board Credit Committee w.e.f. 13 December 2013.

**** Maimuna Aliyu resigned from the Board and consequently the Board Credit Committee w.e.f. 6 September 2013.

***** Peter Longe resigned from the Board and consequently the Board Credit Committee effectively 6 November 2013.

***** Adekunle Adedigba joined the Board Credit Committee from 17 December 2013

Board Risk & Investment Committee Meeting Attendance:

4 meetings were held within the year with attendance shown below:

S/N	NAMES OF COMMITTEE MEMBERS	20 MARCH 2013	18 TH JUNE 2013	2 SEPTEMBER 2013	11 DECEMBER 2013	TOTAL ATTENDANCES
1	JOSHUA MAIKORI	PRESENT	PRESENT	PRESENT	PRESENT	4/4
2*	COLLINS CHIKELUBA	PRESENT	PRESENT	N/A	N/A	2/4
3**	DR. MUSA A. MUSA	N/A	N/A	N/A	N/A	0/4
4***	OLUTOYIN OKEOWO	N/A	N/A	N/A	N/A	0/4
5****	ALI MAGASHI	N/A	N/A	N/A	N/A	0/4
6	HASSAN USMAN	N/A	N/A	PRESENT	ABSENT	1/4
7*****	MOHAMMED I. SHEHU	PRESENT	PRESENT	ABSENT	PRESENT	3/4
8*****	PETER LONGE	PRESENT	PRESENT	ABSENT	N/A	2/4
9*****	ADEKUNLE ADEDIGBA	N/A	N/A	N/A	PRESENT	1/4
10	TONY EDEH	ABSENT	PRESENT	PRESENT	PRESENT	3/4

* Collins Chikeluba resigned from the Board and consequently from this Committee effectively 24th July, 2013.

** Dr Musa A. Musa was appointed to the Committee w.e.f. 13 December 2013.

*** Olutoyin Okeowo was appointed to the Committee w.e.f. 13 December 2013.

**** Ali Magashi was appointed to the Committee w.e.f. 13 December 2013.

***** Mohammed I. Shehu ceased being a member of the Committee w.e.f. 13 December 2013.

***** Peter Longe resigned from the Board and consequently the Committee effectively 6 November 2013.

***** Adedigba joined the Committee from 17th Dec. 2013. Earlier presence was in attendance as the GH, Structured Finance.

ASO SAVINGS AND LOANS PLC

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

Board Compensation / Welfare Committee Meeting Attendance:

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

S/N	NAMES OF COMMITTEE MEMBERS	20 MARCH 2013	18 JUNE 2013	24 SEPTEMBER 2013	11 DECEMBER 2013	TOTAL ATTENDANCES
1	DR. MUSA A. MUSA	PRESENT	PRESENT	PRESENT	PRESENT	4/4
2*	COLLINS CHIKELUBA	PRESENT	PRESENT	N/A	N/A	2/4
3**	PETER LONGE	PRESENT	PRESENT	PRESENT	N/A	3/4
4***	ALI MAGASHI	N/A	N/A	N/A	N/A	0/4
5	HASSAN USMAN	N/A	N/A	N/A	N/A	0/4
6****	MOHAMMED I. SHEHU	N/A	N/A	N/A	N/A	0/4
7	SALMA MOHAMMED	PRESENT	PRESENT	ABSENT	ABSENT	2/4

* Collins Chikeluba resigned from the Board and consequently from this Committee effectively 24 July 2013.

** Peter Longe resigned from the Board and consequently the Committee effectively 6 November 2013.

*** Ali Magashi was appointed to the Committee w.e.f. 13 December 2013.

**** Mohammed I. Shehu was appointed to the Committee w.e.f. 13 December 2013.

Board Nomination/General Purpose Committee Meeting Attendance:

4 meetings were held within the period the following attendance shown below:

S/N	NAMES OF COMMITTEE MEMBERS	12 MARCH 2013	18 JUNE 2013	23 JULY 2013	11 DECEMBER 2013	TOTAL ATTENDANCES
1*	COLLINS CHIKELUBA	PRESENT	PRESENT	PRESENT	N/A	3/4
2	JOSHUA MAIKORI	PRESENT	PRESENT	PRESENT	PRESENT	4/4
3**	MAIMUNA ALIYU	PRESENT	ABSENT	ABSENT	N/A	1/4
4***	OLUTOYIN OKEOWO	N/A	N/A	PRESENT	N/A	0/4
5****	DR. MUSA A. MUSA	N/A	N/A	N/A	N/A	0/4
6	IBRAHIM ORUMA	N/A	N/A	PRESENT	N/A	1/4
7	HASSAN USMAN	N/A	N/A	PRESENT	N/A	1/4
8	MOHAMMED I. SHEHU	N/A	N/A	PRESENT	N/A	1/4
9*****	ADEKUNLE ADEDIGBA	N/A	N/A	N/A	N/A	0/4
10	SALMA MOHAMMED	N/A	N/A	PRESENT	N/A	1/4
11	TONY EDEH	N/A	N/A	PRESENT	N/A	1/4

* Collins Chikeluba resigned from the Board and consequently from this Committee effectively 24 July 2013.

** Maimuna Aliyu resigned from the Board and consequently from this Committee w.e.f. 6 September 2013.

*** Olutoyin Okeowo was appointed to the Committee w.e.f. 13 December 2013.

**** Dr Musa A. Musa was appointed to the Committee w.e.f. 13 December 2013.

***** Adekunle Adedigba joined the Committee from 13 December 2013.

Board Remuneration:

The Bank recognises that the formulation of Board remuneration is a fundamental issue for good corporate governance. To this end, the remuneration level is sufficient to attract, retain and motivate Directors of the quality required to run the Bank successfully while ensuring the Bank does not pay more than is necessary for this purpose.

The remuneration of the Directors is recommended by the Compensation/General Purpose Committee, decided by the Board of Directors and approved by the Shareholders at the Bank's General Meeting. Non-Executive Directors are paid remuneration by way of sitting allowances and quarterly fees, while the Bank pays remuneration to its Managing Director and Executive Directors by way of salaries and perquisites. This remuneration package in respect of the Managing Director and Executive Directors also includes a variable performance related element.

Within the year there was no materially significant transaction between the Bank and Directors that may have potential conflict with the interests of the Bank. The details of Directors' remuneration are always disclosed in the Annual Report and approval of the Shareholders is always sought before any review of

same. There is also a formal and transparent procedure for fixing the remuneration packages of Directors and no Director is involved in deciding his or her own remuneration.

Performance Evaluation:

The Board undertakes a formal and rigorous annual evaluation of its own performance as well as that of its Committees, Chairman and individual Directors. To ensure objectivity, the evaluation is based on set key criteria and conducted by an independent external consulting firm. The process assesses the effectiveness of the Board and Committees as well as the individual Director's commitment.

The evaluation process is used constructively as a mechanism to improve Board effectiveness, maximise strengths and tackle weaknesses. It also assists the Board in decisions affecting appointment, removal and training of Directors.

Orientation and Training:

The Board has established a formal orientation programme to familiarize new Directors with the Bank's operations, strategic plan, senior management and business environment, as well as to induct them in their fiduciary duties and responsibilities. The Directors have also participated in periodic, relevant, professional continuing education programmes in order to update their skills and knowledge and keep them abreast of developments in the Bank's business and operating environment. These programmes are undertaken at the expense of the Bank.

Furthermore, the Bank has ensured that the Directors, especially Non-Executive Directors, have access to independent professional advice at the Bank's expense, where they deem it necessary for an effective discharge of their responsibilities.

RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS:

Relationship with Shareholders:

The Bank acknowledges that regular and two way communication with the shareholders will greatly assist in understanding shareholders expectations and concerns, and improve shareholders' appreciation of the corporate objectives and strategy as well as the performance and financial position of the Bank.

To this end, the Bank also maintains a shareholders' help desk manned by dedicated and well trained relationship managers for an effective resolution of shareholders enquiries and issues. Furthermore, the Bank makes constructive use of the Annual General Meetings (AGM) to communicate with shareholders and encourage their participation. Effective dialogue is maintained with the institutional shareholders and shareholders associations. The Bank has also met with its reporting and disclosure requirements in an accurate and timely manner. Overall, the shareholders have been fairly treated, given equal access to information and availed full voting and participatory rights.

Relationship with other Stakeholders:

We have effectively addressed the interests of our diverse stakeholder groups other than the shareholders. These are identifiable group of individuals or organizations with vested interest in the Bank and include the employees, customers, suppliers, general public and the Government.

The Bank observes fair employment practices, encourages employee participation and actively promotes continuous education and personal development of employees. The conditions of service are highly competitive and the Bank has also strived to keep staff motivation at the peak through review of compensation plans as well as revised staff mortgage and reward policies.

Our products and services have been designed to enhance customer satisfaction. Acknowledging excellent service delivery as a critical approach to systematic improvement, the Bank is implementing a service

culture plan in partnership with a renowned US based consulting firm. A group of staff have been strategically nominated as 'Service Ambassadors' to boost efforts towards inculcation of first-rate service culture. The use of mystery shopping further motivates staff to deliver optimum service at all times and to all customers. The Bank also holds a customer forum each year to further appreciate customer expectations and concerns as well as avail customers with the opportunity to participate in the corporate decision making process.

The Bank has maintained a mutually beneficially relationship with its suppliers, discharged its legal and regulatory obligations in a timely and efficient manner as well as carried out its business in line with the best ethical standards and tenets of sound Corporate Social Responsibility (CSR).

RISK MANAGEMENT IN ASO

Overview

As a provider of credit and retail banking services, risk is at the core of ASO's strategic and operational activities. The Bank is exposed to a variety of risk factors that could potentially affect the achievement of its vision. Dynamic economic and market conditions, increasingly stringent regulatory requirements and risks inherent in the internal and external operating environment contribute towards business uncertainties. Risks associated with the Bank's activities can be stratified into credit risk, liquidity risk, operational risk, construction risk, reputational risk and market risk. Some identified risks cut across one or more of these risk categories.

In its pursuit to be the mortgage bank of choice, ASO therefore recognises the role of responsible risk-management practices as fundamental to its business activities and growth prospects. The overall tone of risk management in ASO is set by the Bank's Board of Directors in a manner that aims at adding value to shareholders as well as guarding the reputation of the Bank. The objectives of the Bank's risk management function include ensuring that risk-taking activities are consistent with the Bank's risk appetite, reducing volatility of the Bank's earnings, managing unexpected losses and maximising opportunities, earnings potential and ultimately stakeholder value.

A functional risk management framework exists within ASO to enable the Bank make informed decisions with respect to exploiting opportunities and mitigating possible threats and vulnerabilities. The framework which is supported by a thriving risk management team is aligned with recent developments in the market as well as the requirements of the Basel II and III risk management guidelines.

Risk Management Philosophy and Culture

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

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

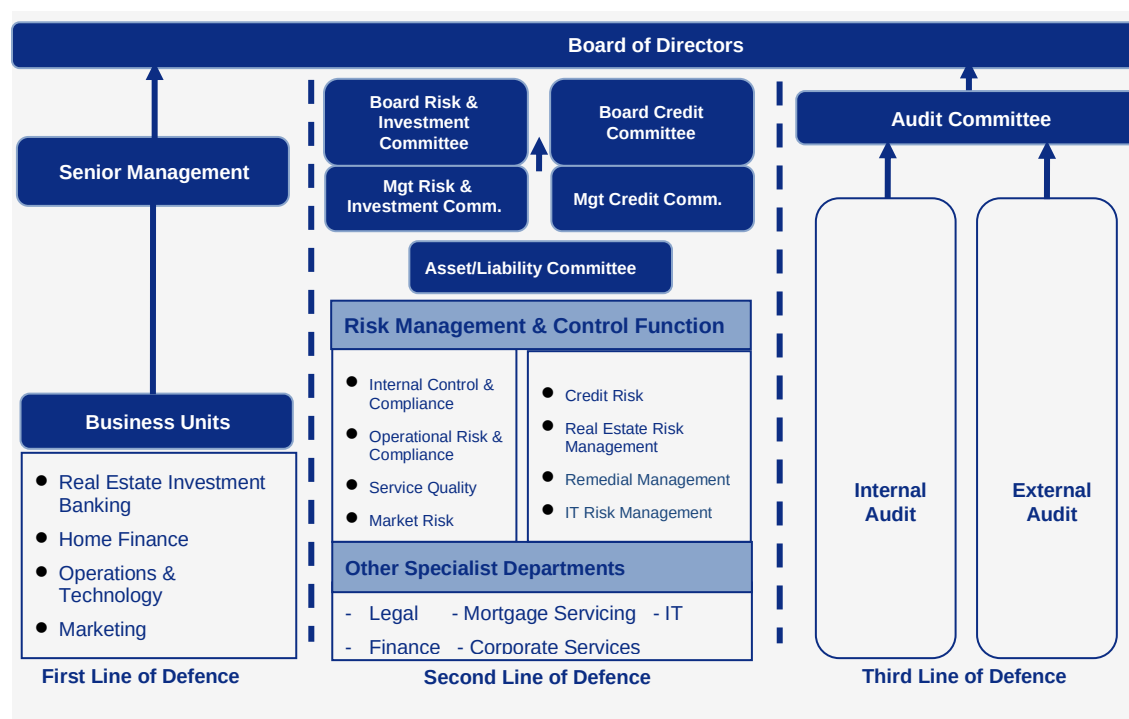
The Bank's risk culture empowers staff at all levels in understanding and managing risks. The risk culture characterises how the Bank considers its business objectives and enables risk managers to perform their duties professionally and independently without interference. This ensures that;

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

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

Risk Management Governance Structure

Ownership and responsibility for risk management resides with the Board of Directors who cascade their expectations down to front line managers and staff via board and management committees, senior management and risk management functions within the Enterprise Risk Management Group. The Bank's risk management governance structure is depicted below:



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

1. **Risk Management and Ownership** - This group includes Senior Management who take responsibility for risks generated within their processes and market-facing functions who take responsibility for risks generated by their activities and transactions. They have primary responsibilities for risk management.
2. **Risk Oversight** - This group undertakes continuous risk assessment over the Bank's activities and processes, providing an independent monitoring and advisory function to ensure any key risks that have not been addressed by the first line of defence, are managed.
3. **Assurance Functions** - This group is responsible for providing an independent assurance of the Bank's activities and transactions and provides an independent assurance function to the Board of Directors through the Board Audit Committee on the adequacy, appropriateness and effectiveness of the Bank's overall risk management framework, policy and risk plan implementation.

The Board of Directors thus has overall responsibility for the establishment and oversight of the Bank's risk management policies via its specialised risk committees. These committees are responsible for monitoring risk policies, reviewing the Bank's activities and transactions in their specified areas and report regularly to

ASO SAVINGS AND LOANS PLC

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

the Board of Directors on their activities. At the board level, these include the Board Risk Management and Investment Committee and the Board Credit Committee. At management level, these include the Management Risk and Investment Committee, the Asset and Liability Committee, the Management Credit Committee and the Criticized Assets Committee.

Enterprise Risk Management in ASO

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

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

Credit Risk Management

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

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

In the 2013 financial period, the Credit Risk Management function put in place initiatives to further strengthen its processes and the quality of the Bank's assets. An automated Facility Approval Memorandum (FAM) was deployed to enhance workflow efficacy of the Bank's credit system. The Department also successfully deployed a Collateral Management System to serve as a backup for its collateral records and further improve the document retrieval process. A pilot programme to facilitate electronic dispatch of insurance certificates was also initiated. In addition, the Department also refocused its loan origination process to ensure that it is strategically attuned to the emergence of the Nigerian Mortgage Refinance Company (NMRC), which was launched in January 2014.

Operational Risk Management

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

A key element in the Bank's operational risk framework includes tools to measure and manage operational risks. In this regard, the Bank maintains a loss event data base that ensures all operational risk losses and near misses are captured and reported to Executive Management and the Board on a periodic basis. The Unit

conducts risk and control self-assessments for critical functions to ensure that key operational risks around the Bank's processes are appropriately mitigated either by controls or a shoring up of the Bank's capital. In the financial period under review, the function through its Revenue Assurance function corrected income leakages on the banking application, completed risk and control self-assessments over a number of key processes and achieved loss data increase of over 340% contributing towards the process of the Bank's proposed migration towards more standardised approaches to capital charge computation and capital adequacy assessments.

Regulatory Compliance

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

In line with relevant provisions of the Money Laundering Act, the Board approved a reviewed Anti-Money Laundering Policy during the period. Awareness exercises were carried out within the financial year as well to ensure that staff understood key regulatory issues and updates with respect to know-your-customer requirements, money laundering and identifying suspicious transactions.

Real Estate Risk Management

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

During the review period, the Department recorded the successful completion of several projects including the Hortigraph Phase II, Tinubu Garden Estate, Taslee Court and Primewaterview projects. The project monitoring process was also reviewed to cater for the use of independent external project managers, valuers and agents to further strengthen the process.

Remedial Management

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

The Department made significant progress in the 2013 financial year, recovering N2.1bn through the use of aggressive but effective technical approaches to recovery. The Department maintains an excellent working relationship with law enforcement agencies and agents in its recovery processes, and retains significant Management support in effecting its activities.

Internal Control and Compliance

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

The Department is responsible for ensuring compliance with the Bank's laid down policies and procedures also providing a balance between internal control and the expected benefits with respect to the effectiveness of operations. The fundamental philosophy guiding the Bank's internal control mechanism is the COSO framework. This framework has been used over the years to review the adequacy of the Bank's internal

ASO SAVINGS AND LOANS PLC

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

control platform. It also forms the basis for future amendments and changes to the internal control framework in addition to guiding principles from the Basel framework for solid internal control policies.

During the financial year, the Department successfully reviewed its guiding policies and procedures and revised its control system across the Bank's branches for improved efficiency in monitoring. An automated tool to aid the Bank's reconciliation process was also implemented leading to increased productivity.

FINANCIAL REPORTING, ACCOUNTABILITY AND AUDIT:

Accountability and Reporting:

ASO acknowledges that the Company's financial statements are the principal way in which the Directors make themselves accountable to the shareholders. To this end, emphasis is laid on the integrity of the reports and full disclosures are made in line with the legal and regulatory requirements.

The Company has in partnership with KPMG professional services successfully concluded a transition to the International Financial Reporting Standards (IFRS), and has presented its financial statements for the December 31, 2013 FYE in line with the standards as published by the International Accounting Standards Board (IASB). The Company is also perfecting its registration with the Financial Reporting Council of Nigeria and has within the year rendered accurate and timely reports to the relevant regulators and stakeholders.

To further ensure accountability, the Company has developed a whistleblowing portal where staff can report genuine concerns about unethical behaviour, misconduct or misdemeanour in the organization. We have also established a formal whistleblowing procedure which amongst others, ensures that complaints are adequately investigated and whistle blowers protected. Overall, communication with shareholders, stakeholders and the general public is guided by the principle of timely, accurate and continuous disclosure designed to give a balanced and fair view of the Company including its non-financial matters.

Critical to the integrity of our financial reporting is the assurance provided by audit. The Company's Audit structure basically revolves around the Internal Auditors, External Auditors and Audit Committee.

Internal Audit:

We operate an effective risk based Internal Audit function focused on a disciplined approach to evaluation of risk management, control and governance. The Internal Audit unit reports directly to the Board through the Statutory Audit Committee but nevertheless maintains a direct line of communication with the MD/CEO, with an unrestricted access to the Board and Audit Committee Chairmen. Its purpose, authority and responsibilities are guided by an Audit Charter approved by the Audit Committee and Board.

Internal Audit activities within the year were in line with an annual risk based internal audit plan approved by the Audit Committee. Within the year, the Internal Audit has remitted monthly audit reports to the MD/CEO and quarterly audit reports to the Audit Committee. Exceptions raised in these reports have been treated with utmost significance and regularizations were strictly monitored and followed up.

The effectiveness of the Internal Audit Unit has also been largely enhanced by strategic recruitments. Structural changes were also effected within the unit to maximise its effectiveness.

External Audit:

To guarantee the integrity of its financial reporting system, the Company retained the services of its Joint External Auditors, Messrs Ernst & Young and Aminu Ibrahim & Co. Sufficient care has been taken to ensure that these firms hold no direct or indirect interests in the Company as could affect their independence and objectivity. To this end, the firms and their partners hold no business interest or any relationship with the Company other than an auditor-client relationship.

ASO SAVINGS AND LOANS PLC

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

The services of the firms are strictly restricted to audit work. The representing partners are periodically rotated to guarantee independence without compromising continuity of the external audit process. Their remuneration for the year was recommended by the Board through the Audit Committee and approved by the Shareholders at the Company's last General Meeting.

ETHICS AND CORPORATE SOCIAL RESPONSIBILITY (CSR):

We acknowledge that without ethical conduct, regulations and codes of practice will be ineffective. Thus our Board and Management are guided by strict ethical standards in their decision making. We have also adopted an ethical shareholder concept of corporate objectives and have significantly emphasized high ethical values in our systems and processes.

The Company is aware of its responsibilities towards all stakeholders and the society as a whole. To this end, we have within the year demonstrated a high level of corporate social responsibility. As part of our CSR activities within the year, we have significantly contributed to educational development through distribution of reading and study materials to various schools as well as facilitation of skills acquisition programmes. We have also supported efforts towards minimization of damage to the environment while promoting 'sustainable' business development. Our CSR activities are fully disclosed in the year's annual reports.

CONCLUSION:

We believe that sound Corporate Governance is essential to create trust and engagement between us and our stakeholders. We are also aware of the immense contribution to the long term success of our business. Effectively, we have assumed a robust system of Corporate Governance as part of our identity and have significantly complied with the codes of Corporate Governance issued by the Securities Exchange Commission (SEC) and the Central Bank of Nigeria (CBN).

We firmly recognise that through sound Corporate Governance we will effectively minimize risks, maximize efficiency, restore market confidence, ensure stakeholder satisfaction and ultimately entrench our place as the Mortgage Bank of choice.

ASO SAVINGS & LOANS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank, and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities and;
- c) prepares financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

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

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

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit for the year ended 31 December 2013. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Olatunde Ayeni
Chairman
FRC/2013/IODN/01738

Hassan Musa Usman
Managing Director/CEO
FRC/2013/IODN/03601

30 October 2014

ASO SAVINGS AND LOANS PLC

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2013

TO THE MEMBERS OF ASO SAVINGS & LOANS PLC

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

- We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of the external audit for the year ended 31 December 2013 were satisfactory and reinforce the Bank's internal control systems.
- The management complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks", and hereby confirm that an aggregated amount of ₦10.086 billion was outstanding as at 31 December 2013 of which ₦27.383 million was non-performing. See Note 29 for details.
- We reviewed the management letter of the external auditors and are satisfied with management response thereto.
- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.

Chairman, Audit Committee

16 October 2014

Members of the Audit Committee are:

- | | | |
|-------------------------|----------|-------------------------|
| 1. Ibrahim Oruma | Chairman | |
| 2. Collins C. Chikeluba | Member | (Resigned 24 July 2013) |
| 3. Dr. Musa Ahmed Musa | Member | |
| 4. Joshua Audu Maikori | Member | |
| 5. El-Amin Bello | Member | |
| 6. Dr. Faruk Umar | Member | |

In attendance:

Bilikisu Rimi

Secretary

INDEPENDENT JOINT AUDITORS' REPORT TO THE MEMBERS OF

ASO SAVINGS AND LOANS PLC

FOR THE YEAR ENDED 31 DECEMBER 2013

Report on the financial statements

We have audited the accompanying financial statements of **ASO Savings and Loans Plc**, which comprise the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **ASO Savings and Loans 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, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Regulatory and Supervisory Guidelines for Primary Mortgage Institutions in Nigeria, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria circulars

INDEPENDENT JOINT AUDITORS' REPORT TO THE MEMBERS OF

ASO SAVINGS AND LOANS PLC - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Bank, so far as it appears from our examination of those books;
- iii) the Bank's balance sheet (statement of financial position) and statement of profit and loss (statement of profit or loss and other comprehensive income) are in agreement with the books of account.

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

- i. We confirm that our examination of the loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria.
- ii. Related party transactions and balances are disclosed in Note 29.1 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.
- iii. As disclosed in Note 31 to the financial statements, the Bank contravened certain provisions of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Revised Guidelines for Primary Mortgage Banks in Nigeria and certain Central Bank of Nigeria circulars.

Kayode Famutimi, FCA
FRC/2012/ICAN/0155
For: **Ernst & Young**
Lagos, Nigeria
30 October 2014

Adekunle Lasisi, FCA
FRC/2013/ICAN/0945
For: **Aminu Ibrahim & Co**
Abuja, Nigeria
30 October 2014

ASO SAVINGS AND LOANS PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	12 Months 2013 ₦'000	9 Months 2012 ₦'000
Interest income	6	9,041,134	8,788,011
Interest expense	7	(4,208,008)	(4,064,497)
Net interest income		4,833,126	4,723,514
Net fee and commission income	8	158,205	930,609
Gain on disposal of non-current assets held for sale	9	990,370	-
Other operating income	10	109,420	439,247
Operating income		6,091,121	6,093,370
Personnel expenses	11	(2,062,974)	(2,292,867)
Other operating expenses	12	(1,630,448)	(5,145,046)
Net impairment	13	(1,377,214)	1,946,976
Depreciation of property, plant and equipment	21	(391,708)	(282,601)
Amortisation of intangible assets	22	(20,013)	(23,473)
Total expenses		(5,482,357)	(5,797,011)
Profit/(loss) before income tax		608,764	296,359
Income tax expense	14	(401,255)	(413,502)
Profit/(loss) for the year		207,509	(117,143)
Profit/(loss) attributable to: Equity holders of the Bank		207,509	(117,143)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year/period		207,509	(117,143)
Profit/(loss) per share - basic (in kobo)	27.1.3	1.41	(1.35)
Profit/(loss) per share - diluted (in kobo)	27.1.3	1.41	(1.35)

The accompany notes in pages 34 to 85 form part of these financial statements.

ASO SAVINGS AND LOANS PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	31 December 2013 N'000	31 December 2012 N'000
Assets:			
Cash and cash equivalents	15	17,433,875	17,086,901
Loans and advances to customers	16	34,249,099	35,020,586
Promissory notes	17	2,931,730	2,624,124
Non-current assets held for sale	19	18,082,236	20,133,320
Financial instruments-			
Held-to-maturity	18.2	3,394,143	123,603
Other assets	20	8,305,387	3,539,283
Property, plant and equipment	21	2,708,492	1,501,400
Intangible assets	22	17,758	34,096
Deferred tax assets	24.1	-	110,527
		-----	-----
Total assets		87,122,720	80,173,840
		-----	-----
Liabilities:			
Deposits from banks	23	53,325	53,325
Deposits from customers	23.1	58,470,141	51,553,928
Current income tax liabilities	24	245,258	490,847
Deferred tax liabilities	24.1	63,371	-
Other liabilities	25	12,511,679	9,692,438
Borrowings	26	10,448,305	16,291,463
		-----	-----
Total liabilities		81,792,079	78,082,001
		-----	-----
Equity:			
Share capital	27.1.2	7,370,867	4,339,574
Accumulated losses	27.3	(2,607,030)	(3,290,560)
Statutory reserve	27.2.1	457,509	457,509
Regulatory risk reserve	27.2.2	109,295	585,316
		-----	-----
Total equity		5,330,641	2,091,839
		-----	-----
		=====	=====
Total liabilities and equity		87,122,720	80,173,840
		=====	=====

The financial statements were approved by the Board of Directors on 30 October 2014 and signed on its behalf by:

Hassan Musa Usman
Managing Director
FRC/2013/IODN/013601

Olatunde Ayeni
Chairman
FRC/2013/IODN/01738

Additionally Certified by:

Nkiru Chime
Financial Controller
FRC/2014/ICAN/00000006837

The accompany notes in pages 34 to 85 form part of these financial statements.

ASO SAVINGS AND LOANS PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Share capital	Accumulated losses	Statutory reserve	Regulatory risk reserve	Total equity
		N'000	N'000	N'000	N'000	N'000
Balance as at 1 April 2012		4,339,574	(2,588,101)	457,509	-	2,208,982
Total comprehensive loss for the period		-	(117,143)	-	-	(117,143)
Transfer for the period	16.4.3	-	(585,316)	-	585,316	-
		-----	-----	-----	-----	-----
Balance as at 1 January 2013		4,339,574	(3,290,560)	457,509	585,316	2,091,839
Issuance of shares	27.1.2	3,031,293	-	-	-	3,031,293
Total comprehensive profit for the year		-	207,509	-	-	207,509
Transfer to accumulated losses	16.4.3	-	476,021	-	(476,021)	-
		-----	-----	-----	-----	-----
Balance as at 31 December 2013		7,370,867	2,607,030	457,509	109,295	5,330,641
		=====	=====	=====	=====	=====

The accompany notes in pages 34 to 85 form part of these financial statements.

ASO SAVINGS AND LOANS PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	12 Months December 2013 K'000	9 Months December 2012 K'000
Cash flows from operating activities			
Profit/(loss) for the year		207,509	(117,143)
Adjustments for:			
Depreciation of property, plant and equipment	21	391,708	282,601
Amortisation of intangible assets	22	20,013	23,473
Collective impairment on loans and advances	13	335,705	365,627
Specific impairment on loans and advances	13	574,924	(2,650,888)
impairment on other assets	13	466,585	211,731
Impairment loss on non current asset held for sale	13	-	48,998
Impairment loss on investment securities	13	-	77,556
Profit on disposal of property, plant and equipment	10 & 12	(8,221)	(3,217)
Profit on disposal of non current asset held for sale	9	(990,370)	-
Income tax expense	13	401,255	413,502
		1,399,108	(1,347,760)
Change in loans and advances	16.3.1	(2,527,778)	7,430,362
Change in promissory notes		(307,606)	(2,624,124)
Change in other assets		(3,157,220)	(355,314)
Change in deposits from banks		-	6,004,595
Change in deposits from customers		6,916,213	(16,819,764)
Change in other liabilities and provisions		2,819,242	4,407,760
		5,141,958	(15,313,435)
Income tax paid	24	(472,946)	(228,568)
Net cash used in from operating activities		4,669,012	(15,542,003)
Cash flows from investing activities			
Acquisition of financial instruments:- held to maturity		(3,270,540)	-
Disposal of financial instruments:- held to maturity		-	102,445
Purchase of property and equipment	21	(387,864)	(344,246)
Proceeds from the sale of property, plant and equipment		60,977	16,050
Purchase of intangible assets	22	(3,675)	(15,330)
Purchase of non-current assets held for sale	19.1	(4,164,357)	(10,078,751)
Proceeds from disposal of non-current assets held for sale		6,255,286	-
Net cash used in investing activities		(1,510,173)	(10,319,832)

The accompany notes in pages 34 to 85 form part of these financial statements.

ASO SAVINGS AND LOANS PLC

STATEMENT OF CASH FLOWS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	12 Months December 2013 N'000	9 Months December 2012 N'000
Cash flows from financing activities			
Increase in ordinary share capital	27.1.2	3,031,293	-
Increase in borrowings		-	13,209,735
Decrease in borrowings		(5,843,158)	-
		-----	-----
Net cash provided from financing activities		(2,811,865)	13,209,735
		-----	-----
Net increase/(decrease) in cash and cash equivalents		346,974	(12,652,100)
Cash and cash equivalents at beginning of year/period		17,086,901	29,739,001
		-----	-----
Cash and cash equivalents at end of year/period	14	17,433,875	17,086,901
		=====	=====
Interest paid on borrowings	7	269,692	971,077

The accompany notes in pages 34 to 85 form part of these financial statements.

ASO SAVINGS AND LOANS PLC

STATEMENT OF PRUDENTIAL ADJUSTMENTS

AS AT 31 DECEMBER 2013

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

- (i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to Non distributable regulatory reserve.
- (ii) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the account to the general reserve to the extent of the non-distributable reserve previously recognised.

	31 December 2013 N'000	31 December 2012 N'000
Transfer to regulatory reserve		
Prudential provision	7,411,155	7,322,233
	-----	-----
Total Prudential Provision	7,411,155	7,322,233
	=====	=====
IFRS Provision:		
Specific impairment	3,880,824	3,305,900
Portfolio impairment	514,744	991,310
Provision for other asset	2,748,421	2,281,836
Provision for investment	157,871	157,871
	-----	-----
	7,301,860	6,736,917
	=====	=====
Difference in the impairment provision balance	109,295	585,316
	-----	-----
Movement in the Regulatory Risk Reserve		
Balance at the beginning of the year	585,316	-
Transfer (to)/from accumulated losses	(476,021)	585,316
	-----	-----
Balance as at end of the year	109,295	585,316
	=====	=====

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

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

The Bank is principally engaged in mortgage banking. The financial statements have been authorized for issue by the resolution of the Directors on 29 September 2014.

2 Accounting Policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB). For all periods up to and including the period ended 31 March 2012, the Bank prepared its financial statements in accordance with local generally accepted accounting principles Local (GAAP). The financial statements for the period ended 31 December 2012 were the first financial statements the Bank has prepared in accordance with IFRS.

The financial statements have been prepared on a historical cost basis, except for items measured at fair value as indicated in the policies below. The financial statements have been prepared based on the order of liquidity.

a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB.

b) Functional and presentation currency

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

(c) Basis of measurement

These financial statements have been prepared on the historical cost basis.:

(d) Use of estimates and judgements

The preparation of financial statements in line with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Please see Significant Accounting Judgements, Estimates and Assumptions in note 3 for further discussion.

(e) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 3.

NOTES TO THE FINANCIAL STATEMENTS - Continued

Accounting Policies - Continued

2.2 Summary of Significant Accounting Policies

The accounting policies set out below have been consistently applied by the bank in preparing its financial statements.

2.2.1 Foreign currency translation

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

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

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

2.2.2 Interest

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

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate excluding future credit losses. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the profit or loss include interest on financial assets and liabilities at amortised cost on an effective interest basis.

2.2.3 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, placement fees, sales commission and syndication fees, are recognised as the related services are performed.

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

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

2.2.4 Rental income

Rental income from non-current assets held for sale leased out under operating lease is recognised in the income statement on a straight line basis over the term of the lease.

2.2.5 Income tax expense

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

Accounting Policies - Continued

2.2.6 Current tax

Current tax is the expected tax payable on taxable income 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.

2.2.7 Deferred tax

Deferred tax is provided using the statement of financial position liability method, providing for 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:

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.2.8 Financial assets and liabilities

(a) Date of recognition and initial measurement

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

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

(b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

(i) Held-to-maturity

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

Accounting Policies - Continued

reclassification of all held-to-maturity investments as available-for-sale, and prevent the Mortgage Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. The difference between amortised cost and fair value will be accounted for in equity.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Mortgage Bank as at fair value through profit or loss or available-for-sale.

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

(iii) *Available-for-sale investments*

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

After initial measurement, available-for-sale financial investments are subsequently measured at fair value through other comprehensive income.

When the investment is disposed of or impaired, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss in other operating income. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. The losses arising from impairment of such investments are recognised in the income statement in 'Impairment losses on financial investments' and removed from the Available-for-sale reserve.

(c) **Impairment of financial assets**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

Accounting Policies - Continued

- national economic conditions that correlate with defaults in the group.

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

(i) *Financial assets carried at amortised cost*

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Interest and similar income.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value

NOTES TO THE FINANCIAL STATEMENTS - Continued

Accounting Policies - Continued

directly through equity, is impaired, the impairment loss is recognised in the income statement. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to the income statement and is recognised as part of the impairment loss. The amount of the loss recognised in the income statement is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through the income statement. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the income statement but accounted for directly in equity.

(iv) *Offset of financial instruments*

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

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

(v) *Derecognition of financial instruments*

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

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

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

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

The Mortgage Bank writes off certain loans and investment securities when they are deemed to be uncollectible.

2.2.9 **Cash and cash equivalents**

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

Accounting Policies - Continued

2.2.10 Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) *Subsequent costs*

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

(iii) *Depreciation*

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

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

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

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

(iv) *De-recognition*

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

2.2.11 Non-current asset held for sale

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

- The Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated.
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Accounting Policies - Continued

2.2.12 Intangible assets

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

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial yearend and adjusted prospectively if needed. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in profit or loss.

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

Computer software: 3 years

Computer software

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

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Expenditure on internally developed software is recognised as an asset, if the bank can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

2.2.13 Leased assets - lessor

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

2.2.14 Impairment of non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Accounting Policies - Continued

cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any intangible asset allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

2.2.15 Deposits and debt securities issued

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

2.2.16 Employee benefits

(i) *Defined contribution plans*

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due. The unpaid contributions are recorded as a liability.

(ii) *Short-term benefits*

Employee benefits include:

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

(i) wages, salaries and social security contributions;

(ii) paid annual leave and paid sick leave;

(iii) profit-sharing and bonuses; and

(iv) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(b) post-employment benefits are retirement benefits (e.g pensions and lump sum payments on retirement); Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

2.2.17 Share capital and reserves

(i) *Share issue costs*

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) *Dividend on ordinary shares*

Dividends on the Mortgage Bank's ordinary shares are recognised in equity in the period in which they

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Accounting Policies - Continued

are paid or, if earlier, approved by the Bank's shareholders. No dividends were declared nor paid during the financial year 31 December 2013 and 31 December 2012.

(iii) *Earnings per share*

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

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

2.2.18 **Promissory notes**

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

2.2.19 **Related party transactions**

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

3. Significant accounting judgements, estimates and assumptions

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

(a) Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.2.8. The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee.

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

and current economic conditions. The accuracy of the allowances depends on how well these estimate of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 2.2.8. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 18.2.

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

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

Valuation of financial instruments:

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

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. The table below analyses financial instruments measured at fair value into the fair value hierarchy at the end of the reporting period:

31 December 2013	Level 1	Level 2	Level 3	Total
Investment securities	-	-	-	-
31 December 2012				
Investment securities	-	-	₦ 77,556,000	₦ 77,555,000

(ii) Financial assets and liabilities classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

Details of the Bank's classification of financial assets and liabilities are given under the accounting policies in note 2.2.8.

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

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

(iv) Going concern

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

(v) Determination of impairment of property, plant and equipment, and intangible assets, excluding goodwill

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

The scheme was however, terminated effective 31 December, 2012 and as a result no actuarial valuation was carried out as there will be no future benefit accruing to employees under the scheme.

4. New standards and interpretations effective in the current year

New Standards and Improvements

New standards, interpretations and amendments adopted by the Bank

The accounting policies adopted in the preparation of the 2013 financial statements are consistent with those followed in the preparation of the Bank's 2012 financial statements, except for the adoption of new standards or interpretations effective as of 1 January 2013.

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

(i) IAS 1- Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. The bank provided comparative information are provided in the financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim financial statements do not include a third balance sheet. The amendment had no impact on the Bank's financial position or performance as there was no retrospective application of accounting policy, nor retrospective restatement or reclassification.

(ii) IAS 32 - Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the financial statements of the Bank, as there is no tax consequences attached to cash or non-cash distribution.

(iii) IAS 16 Property, Plant and Equipment (Amendments) - Classification of servicing equipment

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. This amendment did not have any impact on the financial statements of the Bank.

(iv) IAS 19 - Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In case, the transition to IAS 19R had an impact on the net defined benefit plan obligations due to the difference in accounting for interest on plan assets and unvested past service costs. This has no impact on the Bank.

(v) IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to

NOTES TO THE FINANCIAL STATEMENTS - Continued

an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Bank is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Bank.

(vi) IFRS 10 - Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

- (a) an investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the Bank's financial statements.

(vii) IFRS 11- Joint Arrangements and IAS 28 - Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. This has no effect on the financial statements.

(viii) IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable to the Bank.

(vix) IFRS 13 - Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Bank.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim financial statements period. This standard has no impact on the Bank.

(x) IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This Interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). This Interpretation addresses the following issues-recognition of production stripping costs as an asset; initial measurement of the stripping activity asset; and subsequent measurement of the stripping activity asset. This standard is applicable for annual periods beginning on or after 1 January 2013. This is not applicable to the Bank.

NOTES TO THE FINANCIAL STATEMENTS - Continued

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Bank is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Bank.

The Bank has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The list below highlights the standards issue as at 28 February 2014:

(xi) IFRS 15 - Revenue Standard

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expect to be entitled in exchange for those goods or services. The standard identify the following steps:

- (a) Step 1: Identify the contract(s) with a customer;
- (b) Step 2: Identify the performance obligations in the contract;
- (c) Step 3: Determine the transaction price;
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract; and
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Though, this standard shall be applied for annual reporting periods beginning on or after 1 January 2017, earlier application is permitted. The entity shall disclose this fact if the standard is applied earlier. IFRS 15 has not been adopted by the Bank.

(xiii) IFRS 14 Regulatory Deferral Accounts

The standard becomes effective in the annual periods beginning on or after 1 January 2016. IFRS 14 provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The comprehensive rateregulated activities project is on the IASB's active agenda. This standard is not applicable to the Bank.

(xiv) IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

This amendments would become effective in the annual periods beginning on or after 1 January 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. This amendments has no effect on the Bank's Financial Statements.

(xv) IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

This amendments would become effective in the annual periods beginning on or after 1 January 2014. As a result of the amendments, entities are no longer required to disclose information that was regarded as commercially sensitive by preparers. The impacts of this amendments have been assessed by the Bank.

(xvi) IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

This amendments would become effective in the annual periods beginning on or after 1 January 2014. The amendments are, in effect, a relief from the hedge accounting requirements, and will allow entities to better reflect hedge relationships in the circumstances in which the novation exception applies. The impacts of this amendments have been assessed by the Bank.

(xvii) IFRS 9 Financial Instrument

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities, as well as hedge accounting. The mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. The application of the completed version of IFRS 9 will likely result in significant changes to an entity's current accounting systems and processes. The Bank has not adopted IFRS 9.

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	12 Months 2013 N'000	9 Months 2012 N'000
6 Interest Income		
Interest income on loans and advances	8,472,317	8,031,874
Interest income on cash and cash equivalents	500,337	730,481
Interest income on investment securities- Held to maturity	68,480	25,656
	-----	-----
	9,041,134	8,788,011
	=====	=====
7 Interest expense		
Interest expense on deposits from customers	3,938,316	3,093,420
Interest expense on borrowings	269,692	971,077
	-----	-----
	4,208,008	4,064,497
	=====	=====
8 Net fee and commission income		
Commission on turnover	178,155	209,291
Administrative and processing fees	305,550	421,449
Other fees and commissions	198,055	299,869
	-----	-----
	681,760	930,609
Fee and commission expense	(523,555)	-
	-----	-----
	158,205	930,609
	=====	=====
9 Gain on disposal of non-current asset held for sale	990,370	-
	=====	=====
This relates to gain on the disposal of non-current asset held for sale (see note 19)		
10 Other operating income		
Rental income (note 10.1)	1,013	-
Foreign exchange gain	47,024	14,443
Profit on disposal of property, plant and equipment	8,221	3,217
Other income (note 10.2)	53,162	421,587
	-----	-----
	109,420	439,247
	=====	=====
10.1 The rental income is derived from the lease of some of the bank properties. The lease is for a period of 15 years and structured into 3 five year terms, with the rent been paid every 5 years.		
10.2 Other income includes income from issuance of cheque books, account closure charges, standing order charges and other sundry income.		
11 Personnel expenses	12 Months 2013 N'000	9 Months 2012 N'000
Salaries and wages	2,011,522	1,759,995
Contribution to defined contribution plans	48,809	39,201
Defined benefit plans	-	408,619
Other staff costs	2,643	85,052
	-----	-----
	2,062,974	2,292,867
	=====	=====

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

11.1 Employees

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

	12 Months 2013 Number	9 Months 2012 Number
Below ₦ 300,000	163	188
₦ 300,001 - ₦ 500,000	117	231
₦ 500,001 - ₦ 1,000,000	206	45
₦ 1,000,001 - ₦ 1,500,000	82	209
₦ 1,500,001 - ₦ 2,500,000	12	12
₦ 2,500,001 - ₦ 3,500,000	2	5
₦ 3,500,001 - ₦ 4,500,000	3	8
above ₦ 4,500,000	9	1
	-----	-----
	594	699
	===	===

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

12 Months Number 2013	9 Months Number 2012
594	699
===	===

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

	12 Months 2013 ₦ '000	9 Months 2012 ₦ '000
12 Other operating expenses		
Insurance premium	361,082	300,246
Rates	279,061	209,729
Training	44,636	130,640
Information technology development levy (note 12.1)	6,127	2,934
General administrative (note 12.2)	939,581	4,501,497
	-----	-----
	1,630,487	5,145,046
	=====	=====

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

12.2 The general administrative expenses are incurred in daily operating activities of the Bank 'this includes IT infrastructure expenses, consultancy expenses, travel costs and others.

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	12 Months 2013 N'000	9 Months 2012 N'000
13 Net impairment		
Collective impairment charges on loans and advances (note 16.3)	335,705	365,627
Specific impairment charges/(reversal) on loans and advances (note 16.2)	574,924	(2,650,888)
Impairment charges on available for sale investment securities (note 18.1.2)	-	77,556
Impairment charges on other assets (note 21.2)	466,585	211,731
impairment on non-current asset held for sale (note 19)	-	48,998
	-----	-----
	1,377,214	(1,946,976)
	=====	=====
14. Income tax expense		
Current tax expense		
Company income tax (note 24)	43,984	372,860
Education tax (note 24)	-	39,884
Under provision for prior period (note 24)	183,373	133,346
Reversal of provision (note 24)	-	(132,588)
	-----	-----
	227,357	413,502
Deferred tax expense (note 24.2)	173,898	-
	-----	-----
TOTAL INCOME TAX EXPENSE	401,255	413,502
	=====	=====
14.1 Reconciliation of effective tax rate		
Profit before income taxation	608,763	296,359
	=====	=====
Income tax using the domestic corporation tax rate	182,629	88,908
	=====	=====
Minimum tax	43,984	-
	=====	=====
Company income tax charged for for the year	43,984	88,908
Prior year under provision	183,373	133,346
Origination of temporary difference	173,898	
Non-deductible expenses	-	666,556
Education/NITDEF tax levy	-	39,884
Net capital allowance	-	(230,263)
Balancing charge	-	4,867
Tax exempt income	-	(338,163)
Reversal of provision	-	(132,588)
Loss from prior period to adjust for change in Accounting year	-	(32,787)
Non deductible allowance for other known losses	-	213,742
	-----	-----
TOTAL INCOME TAX EXPENSE IN STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	401,255	413,502
	=====	=====
15 Cash and cash equivalents		
Cash on hand	611,275	519,723
Balances with local banks	1,982,768	2,836,435
Money market placements	14,839,832	13,730,743
	-----	-----
	17,433,875	17,086,901
	=====	=====

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	31 December 2013 ₦'000	31 December 2012 ₦'000
16 Loans and advances		
Loans to individuals	26,639,174	11,893,853
Loans to corporate entities and other organisations	12,005,493	27,423,943
	-----	-----
	38,644,667	39,317,796
Specific Impairment (note 16.2)	(3,880,824)	(3,305,900)
Collective Impairment (note 16.3)	(514,744)	(991,310)
	-----	-----
	34,249,099	35,020,586
	=====	=====
16.2 Impairment allowance on loans and advances		
Specific Impairment		
Balance, beginning of year/period	3,305,900	5,956,788
Charge/(reversal) for the year/period (note 13)	574,924	(2,650,888)
	-----	-----
Balance, end of period	3,880,824	3,305,900
	=====	=====
16.3 Collective impairment		
Balance, beginning of period	991,310	625,683
Impairment loss for the year/period:		
Charge for the year/period (note 13)	335,705	365,627
Write-offs	(812,271)	-
	-----	-----
Balance, end of year/period	514,744	991,310
	=====	=====
16.3.1 Properties of ₦ 2,388,636,486 were foreclosed during the year and were included in non-current asset held for sale (31 December 2014: Nil).		
16.4 The Regulatory Body, CBN/NDIC stipulates that provisions for loans recognised 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:		
16.4.1 Prudential Provisions is greater than IFRS provisions; transfer the difference from the retained earnings to a non-distributable regulatory reserve.		
16.4.2 Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve account to the retained earnings to the extent of the non-distributable reserve previously recognized.		

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

16.4.3 Transfer to Regulatory risk reserve

	31 December 2013 N'000	31 December 2012 N'000
Gross Loans	38,644,667	39,317,796
Non-Performing Loans	(8,681,048)	(9,347,209)
Performing	29,963,619	29,970,587
General Provision - 1%	299,636	299,706
Specific	4,205,227	4,582,820
Total Prudential provision	4,504,863	4,882,526
IFRS Impairment:		
Specific impairment	3,880,824	3,305,900
Portfolio impairment	514,744	991,310
Total IFRS Impairment	4,395,568	4,297,210
Difference in impairment figures (Prudential minus IFRS)	109,295	585,316
Regulatory Risk Reserve	(109,295)	(585,316)

	31 December 2013 N'000	31 December 2012 N'000
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16.5 Classification of loans and advances by category

Mortgage loans	21,000,072	15,831,701
Commercial real estate financing	9,687,266	14,833,987
Others	7,957,329	8,652,108
	38,644,667	39,317,796

16.6 Classification of loans and advances by Performance

Performing loan	29,963,619	29,970,587
Non-performing loan	8,681,048	9,347,209
	38,644,667	39,317,796

16.7 Classification of Loans and Advances by Sector

Agriculture	1,332,403	10,384
Civil Construction	17,010,062	11,323,915
Education	179,489	31,815
Energy	-	1,136,333
Financial Institution	-	6,149
Health Care	-	53,501
Hospitality	55,808	88,528
Mortgages	103,275	18,755,235
Others	14,105,456	7,896,555
Public Sector	5,858,174	15,381
	38,644,667	39,317,796

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	31 December 2013 N'000	31 December 2012 N'000
16.8 Classification of Loans and Advances by Rating		
A	31,682,668	30,579,199
AA	1,323,391	1,299,630
B	530,632	989,054
BB	905,463	2,021,967
BBB	2,514,349	1,385,252
CCC	1,688,164	3,042,694
	-----	-----
	38,644,667	39,317,796
	=====	=====

16.9 The Bank holds ₦ 112 million of deposits under Due to customers (refer to note 23.2) as collateral for mortgage facilities granted to customer. The Bank is obliged to return the collateral at maturity of the facilities.

	31 December 2013 N'000	31 December 2012 N'000
17 Promissory notes (note 17.1)	2,931,730	2,624,124
	=====	=====

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

	31 December 2013 N'000	31 December 2012 N'000
18 Financial instruments		
18.1 Available for sale		
Unquoted equity securities at cost (note 18.1.1)	157,871	157,871
Write offs (note 18.1.2)	(2,760)	
Less: specific allowance for impairment (note 18.1.2)	(155,110)	(157,871)
	-----	-----
	-	-
	=====	=====
18.1.2 Specific allowance for impairment		
Balance, beginning of year/period	(157,871)	(80,315)
- charge for the year/period (note 13)	-	(77,556)
Write-offs (note 18.1.2)	2,760	-
	-----	-----
Balance, end of year/period	(155,110)	(157,871)
	=====	=====

18.1.3 The write off is in line with the requirement of the CBN that the bank divests of all 'non-permissible activities' and consequently, bank's decision to unwind this investment.

18.2 Held-to-maturity

Set out below, is the carrying amount and fair value of the Bank's Held-to-maturity financial instrument.

	Carrying amount		Fair value	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000
Treasury bills	3,394,143	123,603	3,405,214	123,603
	-----	-----	-----	-----
	3,394,143	123,603	3,405,214	123,603
	=====	=====	=====	=====

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	31 December 2013 N'000	31 December 2012 N'000
19 Non-current asset held for sale		
Balance, beginning of period	20,133,320	10,177,236
Additions (note 19.1)	6,552,993	10,078,751
Disposals	(5,264,916)	-
Transfer from property, plant and equipment (note 21)	-	454,877
Transfer to property, plant and equipment (note 21 and note 19.1)	(1,263,692)	-
Transfer to other assets	(2,075,469)	(528,546)
Impairment loss (note 13)	-	(48,998)
	-----	-----
Balance, end of the year/period	18,082,236	20,133,320
	=====	=====
19.1 Included in additions, were foreclosed properties of ₦ 2,388,636,486 (31 December 2012: Nil). Furthermore, the Bank reclassified some properties to property, plants and equipment in line with its intention and purpose (refer to note 21.1).		
20 Other assets		
	31 December 2013 N'000	31 December 2012 N'000
Restricted balances with FMBN (note 20.1)	1,119	1,119
Account receivable	3,709,120	2,588,035
Transfer from non-current asset held for sale (note 19 and 20.1)	2,075,469	528,546
Prepayments	436,816	290,353
Others (note 20.3)	4,831,284	2,413,066
	-----	-----
	11,053,808	5,821,119
Specific impairment on other assets (note 20.2)	(2,748,421)	(2,281,836)
	-----	-----
	8,305,387	3,539,283
	=====	=====
20.1 Restricted balance with FMBN represents cash reserve requirement with Federal Mortgage Bank of Nigeria (FMBN). The transfer of payments represents advance payments for the purpose of land acquisition during the year under review and prior period . These transactions are yet to be concluded and complete title documents for the land were yet to be received. The advance payments were transferred to other assets.		
20.2 Movement in impairment in other assets		
	31 December 2013 N'000	31 December 2012 N'000
Balance, beginning for the period	2,281,836	2,980,953
Charge for the year/period (note 13)	466,585	211,731
Write-off (note 20.3)	-	(910,848)
	-----	-----
Balance, end of the year/period	2,748,421	2,281,836
	=====	=====
20.3 Other assets contained long outstanding balances. The Bank has an impaired balance of ₦2,748,421,000 for the year ended 31 December 2013 (31 December 2012: ₦ 2,281,836,000). The sum of 911Million represents write-off of the balances in other assets in the prior year.		

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

21. Property, plants and equipment

	Land and buildings	Plant & machinery	Furniture & equipment	Computer equipment	Motor vehicles	Leased asset	Capital work- in- progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
(a)								
Cost								
Balance at 01 April 2012	1,123,233	108,287	622,114	482,921	703,344	56,861	124,633	3,221,393
Additions	112,429	14,383	22,314	72,770	118,512	-	3,838	344,246
Disposals	-	-	-	-	(59,556)	-	-	(59,556)
Transfers to non-current assets held for sale (note 19)	(454,877)	-	-	-	-	-	-	(454,877)
Balance at 01 January 2013	780,785	122,670	644,428	555,691	762,300	56,861	128,471	3,051,206
Additions	6,000	2,990	42,033	90,230	246,611	-	-	387,864
Reclassifications from capital work in progress	72,773	-	3,838	51,860	-	-	(128,471)	-
Transfer from non-current assets held for sale (note 19)	1,263,692	-	-	-	-	-	-	1,263,692
Disposals	-	(2,705)	(4,095)	(55,811)	(73,496)	-	-	(136,107)
Balance at 31 December 2013	2,123,250	122,955	686,204	641,970	935,415	56,861	-	4,566,655

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

21. Property, plants and equipment (Continued)

	Land and buildings N'000	Plant & machinery N'000	Furniture & equipment N'000	Computer equipment N'000	Motor vehicles N'000	Leased asset N'000	Capital work- in-progress N'000	Total N'000
(b) Depreciation and Impairment								
Losses								
Balance at 1 April 2012	109,915	59,237	368,971	371,143	347,801	56,863	-	1,313,930
Charge for the period	15,586	14,499	81,303	51,513	119,700	-	-	282,601
Disposals	-	-	-	-	(46,725)	-	-	(46,725)
Balance at 1 January 2013	125,501	73,736	450,274	422,656	420,776	56,863	-	1,549,806
Charge for the year	23,216	19,381	100,798	88,531	159,782	-	-	391,708
Disposals	-	-	-	(32,106)	(51,245)	-	-	(83,351)
Balance at 31 December 2013	148,717	93,117	551,072	479,081	529,313	56,863	-	1,858,163
Carrying amounts:								
Balance as at 31 December 2013	1,974,533	29,838	135,132	162,889	406,102	(2)	-	2,708,492
Balance as at 31 December 2012	655,284	48,934	194,154	133,035	341,524	(2)	128,471	1,501,400

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

21.1 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (31 December 2012: NIL). Also, there were no capital commitments as at reporting date in respect of items of property, plant and equipment. The Bank reclassified some properties from non-current assets held for sale to property, plants and equipment in line with its intention and purpose (refer to note 19.1).

22 Intangible assets

	31 December 2013 N'000	31 December 2012 N'000
Cost		
Beginning of period	484,505	469,175
Additions	3,675	15,330
	-----	-----
Balance, end of year/period	488,180	484,505
	=====	=====
Amortisation		
Balance, beginning of year/period	(450,409)	(426,936)
Amortisation for the year/period	(20,013)	(23,473)
	-----	-----
Balance, end of year/period	(470,422)	(450,409)
	=====	=====
Carrying amounts at the end of the year/period	17,758	34,096
	=====	=====

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

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (31 December 2012: NIL). Also, there were no capital commitments as at reporting date in respect of items of intangible assets.

	31 December 2013 N'000	31 December 2012 N'000
23 Deposits from banks		
Other deposits from banks	53,325	53,325
	-----	-----
	53,325	53,325
	=====	=====

23.1 Deposits from customers

Retail Customers:		
Term deposits	3,044,723	5,148,185
Demand deposits	3,437,937	3,613,758
Savings	3,780,058	4,369,748
Corporate customers:		
Term deposits	19,754,503	10,330,917
Current deposits	28,452,920	28,091,320
	-----	-----
	58,470,141	51,553,928
	=====	=====

23.2 Included in deposits from customers is N112 million which represents collateral on mortgage facilities granted to customers (refer to note 16.9). The Bank is obliged to return the collateral at maturity of the facilities.

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

24	Current tax liabilities	31 December 2013 N'000	31 December 2012 N'000
	Balance, beginning of year/period	490,847	305,913
	Company current income tax expense (note 14)	43,984	372,860
	Education tax (note 14)	-	39,884
	Prior year under provision (note 14)	183,373	133,346
	Reversal of provision (note 14)	-	(132,588)
	Payment during the year/period	(472,946)	(228,568)
		-----	-----
	Balance, end of year/period	245,258	490,847
		=====	=====
24.1	Movement in Deferred taxation		
	Balance, beginning of period	110,527	62,298
	Additions:		
	Property, plant and equipment	(173,898)	3,292
	Available-for-sale investment	-	39,988
	Others	-	4,949
		-----	-----
	Balance, end of year/period	(63,371)	110,527
		=====	=====
24.2	Deferred tax		
	Deferred tax are attributable to the following:		
	Property, plant and equipment	(168,818)	5,080
	Allowance for loan losses	87,050	87,050
	Others	18,397	18,397
		-----	-----
		(63,371)	110,527
		=====	=====
25	Other liabilities		
	Accruals	41,012	29,594
	Liability for defined contribution scheme (note 25.1)	33,079	25,687
	Liability for defined benefits plans (note 25.2)	391,959	452,518
	Other liabilities	584,170	701,479
	Deposit for shares (note 25.4)	1,635,193	-
	Account payable	9,826,266	8,483,160
		-----	-----
		12,511,679	9,692,438
		=====	=====

25.1 Liability for defined contribution scheme

The Bank and its employees each contributes a minimum of 7.5% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominal pension fund administrators. The amount represents sums payable to pension fund administrators of which Personal Identification Number (PIN) of affected employees has not been presented to effect the remittance.

25.2 Liability for defined benefits plans

The Bank operates a non-contributory, unfunded lump sum defined benefit gratuity scheme. Employees are entitled to join the scheme after completing 5 full years of service. Employees' terminal benefits were hitherto calculated based on number of years of continuous service, limited to a maximum of 5 years.

The scheme was terminated effective from 31 December, 2012 and as a result no actuarial valuation was carried out as there will be no future benefit accruing to employees under the scheme.

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

The amounts recognised in the statement of financial position are as follows:

	31 December 2013 N'000	31 December 2012 N'000
Defined benefit obligation		
Unfunded obligations	(391,959)	(452,518)
	-----	-----
Total present value of defined benefit	(391,959)	(452,518)
	=====	=====
Present value of net obligations	(391,959)	(452,518)
	=====	=====
Recognised liability for defined benefit	(391,959)	(452,518)
	=====	=====
25.3 Movement in defined benefit		
Balance, beginning of year/period	452,518	253,210
Additions	-	408,619
Paid during the year/period	(60,559)	(209,311)
	-----	-----
Balance, end of year/period	391,959	452,518
	=====	=====
25.4. Deposit for shares relates to amount received by the bank in respect of private placement during the year. The exercise is still ongoing as at year end.		
	31 December 2013 N'000	31 December 2012 N'000
26 Borrowings		
Due to FMBN on NHF scheme (note 26.1)	1,340,344	1,213,137
Due to Shelter Afrique Limited (note 26.2)	88,098	174,551
Due to Sterling Bank Plc	-	2,064,645
First City Monument Bank Limited (note 26.3)	9,019,863	12,500,000
Others	-	339,130
	-----	-----
	10,448,305	16,291,463
	=====	=====
26.1 The amounts of ₦ 1.340 billion represent the outstanding balance on the on-lending facility obtained from the Federal Mortgage Bank of Nigeria; the facility is disbursed to beneficiaries of the National Housing Fund (NHF). Interest rate is 4% per annum, interest and principal are repayable monthly.		
26.2 The amounts of ₦ 88.098 million represent the outstanding balance on the credit facility obtained from Shelter Afrique Limited. Shelter Afrique Limited is an organisation based in Kenya that provides funding for the development of residential houses for low-medium income earners at affordable rates. The loan is repayable on a quarterly basis over 5 years from 2009 with an interest rate of 9.5% per annum and payable quarterly.		
26.3 The amount of ₦9,019,863,000 represents outstanding balances on the project finance and working capital facilities obtained from First City Monument Bank Plc . The project finance facilities were obtained to refinance completion of real estate projects in Abuja and Lagos. They are repayable over a period of two years at an interest rate of 19.5%. The working capital facility is repayable over a period of 40 days.		

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

27 Share Capital and reserves

27.1 Share capital

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

	31 December 2013 ₦'000	31 December 2012 ₦'000
27.1.1 Authorised:		
20,000,000,000 ordinary shares of 50k each	10,000,000 =====	10,000,000 =====
27.1.2 Issued and fully- paid up:		
8,679,148,676 ordinary shares of 50k each	4,339,574	4,339,574
Issuance during the year (6,062,585,126)	3,031,293 -----	- -----
	7,370,867 =====	4,339,574 =====

27.1.3 Profit per share

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

The calculation of basic profit per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of ₦207,509,000 (31 December 2012: Loss of ₦ 117,143,000 and a average number of ordinary shares outstanding of 14,741,733,802 (31 December 2012: 8,679,148,676), calculated as follows:

Number of ordinary shares units

	December 2013 Unit ('000)	December 2012 Unit ('000)
Issued share units	8,679,149	8,679,149
Additions during the year	6,062,585 -----	- -----
	14,741,734 =====	8,679,149 =====
Profit/(loss) attributable to ordinary shareholders	207,509	(117,143)
Basic profit per share (kobo)	1.41	(1.35)

28.2 Other regulatory reserves

The other regulatory reserve includes movements in the statutory reserves.

27.2.1 Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.11 of the Guidelines for Primary Mortgage Institutions, an appropriation of 20% of profit after tax is made if the statutory reserve is less than paid-up share capital and 10% of profit after tax if the statutory reserve is greater than the paid up share capital, subject to all identifiable losses being made good. Consequently, the Bank made no transfer to statutory reserves as at 31 December 2013 (31 December: nil).

27.2.2 Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment on balance on loans and advances under the Nigeria GAAP and based on Central Bank of Nigeria prudential guidelines compared with the

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

loss incurred model used in calculating the impairment balance under IFRS.

27.3 Accumulated losses

Accumulated losses (retained earnings) are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

28 Contingencies

Claims and litigations

The Bank, in its ordinary course of business, is presently involved in 19 cases as a defendant and 27 cases as a plaintiff. The total amount claimed in the 19 cases against the Bank is estimated at ₦ 244,579,293 (31 December 2012: ₦ 196,664,790). The Directors having sought the advice of professional legal counsel are of the opinion that based on the advice received, no significant liability will materialise from these cases. No provisions are therefore deemed necessary for these claims.

Contingent liabilities and commitments

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

Acceptances, bonds, guarantees and other obligations for the account of customers:

These comprise:

	31 December 2013 ₦'000	31 December 2012 ₦'000
Bank Guarantees	1,352	135,000
Advance Payment Guarantees	48,978	521,709
Other commitments (note 28.1)	10,357,416	12,504,453
	-----	-----
	10,407,746	13,161,162
	=====	=====

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

ASO SAVINGS & LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

29.1 Related party transactions

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

Insider/Related	Facility Type	Account Name	Security/Collateral Type	Non-performing Authorised Limit	Total Exposure	Performing Authorised Limit	Total Exposure	Grand Total Exposure
				₦	₦	₦	₦	₦
Directors	NHF Loans	HASSAN TANIMU MUSA USMAN	Real Estate			5,000,000	2,535,528	2,535,528
	Retail Mortgages - Others	MAIKORI JOSHUA AUDU	Real Estate			48,597,000	46,540,364	46,540,364
	Staff Loan-Retail Mortgages	HASSAN TANIMU MUSA USMAN	Real Estate			29,548,234	15,252,711	15,252,711
		MOHAMMED SHEHU	Real Estate			152,000,000	114,334,152	114,334,152
Directors Total						235,145,234	178,662,755	178,662,755
Directors' Companies	Overdraft	FUNDS & ELECTRONIC TRANSFER SLT LTD	Otherwise			30,000,000	23,239,908	23,239,908
		OLUTOYL ESTATE DEV. AND SERV. LTD	Otherwise			-	148,238	148,238
		XPRESS THOTS LIMITED	Otherwise			34,800,000	40,725,101	40,725,101
		OLUTOYL ESTATE AND DEV. SERVICES	Otherwise	-	-	100,000,000	104,050,970	104,050,970
		Directors' Companies Total				-	-	164,800,000
Director's Wife	Retail Mortgages - Others	YEWANDE USMAN	Real Estate			20,000,000	5,840,876	5,840,876
Director's Wife Total						20,000,000	5,840,876	5,840,876
Ex-Directors	NHF Loans	JIBRIN MUHAMMED BARDE	Real Estate			7,985,310	6,806,484	6,806,484
		KUDI BADMUS	Real Estate			4,991,013	4,071,826	4,071,826
	Overdraft	ABDULLAHI BAPPAH AHMED	Otherwise			-	498,880	498,880
		AKIN-ADARAMOLA CHARLES	Otherwise			-	7,368,816	7,368,816
			JIBRIN MUHAMMED BARDE	Otherwise			-	67,562

ASO SAVINGS & LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

InsiderRelated	Facility Type	Account Name	Security/Collateral Type	Non-performing		Performing	Total Exposure	Grand Total Exposure
				Authorised Limit	Total Exposure	Authorised Limit	Total Exposure	Grand Total Exposure
				₦	₦	₦	₦	₦
		MIRI GODFREY O.S	Otherwise			-	5,542,175	5,542,175
		PETER LONGE	Otherwise			-	243,158	243,158
		TIJJANI MOHAMMED ABDULLAHI	Otherwise			-	156,836	156,836
	Retail Mortgages - Others	ABDULLAHI BAPPAH AHMED	Real Estate			20,000,000	15,138,984	15,138,984
		KUDI BADMUS	Real Estate			7,900,000	5,070,769	5,070,769
		MAIMUNA SANDA ALIYU	Real Estate			40,000,000	37,333,333	37,333,333
		PETER LONGE	Real Estate			81,418,032	70,940,421	70,940,421
		TIJJANI MOHAMMED ABDULLAHI	Real Estate			28,639,101	15,197,364	15,197,364
	Staff Loan	PETER LONGE	Otherwise			3,000,000	272,634	272,634
	Staff Loan-Retail Mortgages	KUDI BADMUS	Real Estate			19,946,790	338,857	338,857
		MAIMUNA SANDA ALIYU	Real Estate			81,857,657	65,654,417	65,654,417
Ex-Directors Total						295,737,903	234,702,516	234,702,516
Ex-Directors' Companies	Overdraft	ECOSENSE VENTURES LTD.	Otherwise			-	9,331,283	9,331,283
	Term Loan	COOL BLUE LIMITED	Otherwise		27,382,764			27,382,764
		STEREB (NIG.)LTD	Otherwise			-	2,144,428	2,144,428
Ex-Directors' Companies Total					27,382,764	-	11,475,711	38,858,475
Related Company	Commercial Real Estate	AIDC CALABAR PROJECT ACCOUNT	Real Estate				26,527,302	26,527,302
		AIDC PROJECT ACCOUNT 3	Real Estate			6,151,354,920	9,155,069,029	9,155,069,029
	Overdraft	AIDC PROJECT ACCOUNT - AUMTCO	Otherwise			-	278,404,780	278,404,780
Related Company Total						6,151,354,920	9,460,001,111	9,460,001,111
Grand Total				-	27,382,764	6,867,038,057	10,058,847,186	10,086,229,950

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

29.2 Directors' remuneration

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

	12 Months 2013 N'000	9 Months 2012 N'000
Fees as directors	14,750	15,000
Other allowances	10,550	11,320
	-----	-----
Directors' emoluments	25,300	26,320
Executive compensation	21,585	18,113
	-----	-----
	46,885	44,433
	=====	=====
The directors' remuneration shown above includes:		
The Chairman	4,750	4,500
	=====	=====
Highest paid Director	7,500	5,625
	=====	=====

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

	Number	Number
N 2,000,001- N 4,000,000	1	3
Above N 4,000,000	7	5

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

29.3 Key management transactions

	12 Months 2013 N'000	9 Months 2012 N'000
29.3.1 Loans and advances:		
Secured loans	371,193	537,851
Other loans	17,084	53,050
	-----	-----
	388,277	590,901
	=====	=====
29.3.2 Deposit liabilities		
Deposits	11,085	9,561
	=====	=====

29.3.3 Key management personnel compensation for the period comprises:

Short-term employee benefits	231,851	125,142
Post-employment benefits	85,509	34,772
	-----	-----
	317,360	159,914
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS - Continued

30 Financial risk management

(a) Introduction and overview

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

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

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

Risk management framework

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

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

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

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

- (i) Continuous self-evaluation and monitoring by the Risk Management and Compliance Division in conjunction with Internal Audit; and
- (ii) Independent evaluation by external auditors, examiners or consultants.

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

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

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

(iii) Excessive risk concentration

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

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

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

(b) Credit risk management

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

Management of credit risk

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

- (i) Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- (ii) Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require Directors as appropriate.
- (iii) Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- (iv) Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- (v) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

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

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Exposure to credit risk

Notes	Loans and advances to customers		Investment securities		
	31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000	
Carrying amount	Note 16	34,249,099	35,020,586	3,394,143	123,603
Assets amortised at cost					
Individually Impaired:					
Grade 1-3: Low-fair risk		3,283,547	11,365	3,394,143	123,603
Grade 4-6: Watchlist		3,757,959	4,414,391	-	-
Grade 7-8: Impaired		1,642,886	3,043,999	-	-
Grade 9-10: Impaired		-	-	-	-
Gross amount		8,684,392	7,469,755	3,394,143	123,603
Allowance for impairment		(3,880,824)	(3,305,900)	-	-
Carrying amount		4,803,568	4,163,855	3,394,143	123,603
Collectively Impaired:					
Grade 1-3: Low-fair risk		29,725,856	31,848,041	-	-
Grade 4-6: Watchlist		192,484		-	-
Grade 7-8: Impaired		41,935		-	-
Gross amount		29,960,275	31,848,041	-	-
Allowance for impairment		(514,744)	(991,310)	-	-
Carrying amount, net of allowance		29,445,531	30,856,731	-	-
Available-for-sale (AFS) assets:					
Grade 7-8: Impaired		-	-	155,110	157,870
Allowance for impairment		-	-	(155,110)	(157,870)
Carrying amount, net of allowance		-	-	-	-
Total carrying amount, net of allowance for impairment		34,249,099	35,020,586	3,394,143	123,603

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Maximum exposure

31 December 2012		31 December 2013				
	Maximum Exposure	Collateral held			Net	Net exposure
Loans and Advances to Customers:		Property	Cash	Others	Collateral	
	N'000	N'000	N'000	N'000	N'000	N'000
Commercial Mortgage	3,667,632	6,680,800	-	-	6,680,800	(3,013,168)
Commercial Real Estate	15,438,284	14,556,708	-	-	14,556,708	881,576
Residential Mortgage	9,387,340	19,165,948	-	-	19,165,948	(9,778,608)
Others	5,755,843	11,005,139	-	-	11,005,139	(5,249,296)
Gross Total	34,249,099	51,408,595	-	-	51,408,595	(17,159,496)
Investment Securities:						
HTM Treasury bills	3,394,143	-	-	-	-	3,394,143
Gross Total	3,394,143	-	-	-	-	3,394,143
	-	-	-	-	-	-
Cash and Cash equivalents	17,433,875	-	-	-	-	16,930,933
	17,433,875	-	-	-	-	16,930,933
Promissory notes	2,931,730	-	-	-	-	2,931,730
	2,931,730	-	-	-	-	2,931,730
	58,008,847	51,408,595	-	-	51,408,595	6,097,310

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	31 December 2012					
	Maximum Exposure					
Loans and Advances to Customers:		Property	Cash	Collateral held	Net Collateral	Net exposure
	₦'000	₦'000	₦'000	Others ₦'000	₦'000	₦'000
Commercial Mortgage	4,729,667	9,149,879	-	-	9,149,879	(4,420,212)
Commercial Real Estate	14,621,587	5,103,406	-	-	5,103,406	9,518,181
Residential Mortgage	9,992,844	16,123,571	-	-	16,123,571	(6,130,727)
Small Business Lending	4,451,718	-	-	10,450,937	10,450,937	(5,999,219)
Corporate Lending	1,224,770	-	-	1,744,823	1,744,823	(520,053)
Gross Total	35,020,586	30,376,856	-	12,195,760	42,572,616	(7,552,030)
Investment Securities:	Maximum Exposure					
Held to Maturity Treasury bills	123,603	-	-	-	-	123,603
Available-for-sale (AFS) assets:	-	-	-	-	-	-
Gross Total	123,603	-	-	-	-	123,603
Cash and Cash equivalents	17,086,901	-	-	-	-	17,086,901
Promissory notes	2,624,124	-	-	-	-	2,624,124
	54,855,214	30,376,856	-	12,195,760	42,572,616	12,282,598

NOTES TO THE FINANCIAL STATEMENTS - Continued

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Mortgage Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

At each reporting date the Bank reviews its financial instruments (e.g. loans and advances) to ascertain whether objective evidence of impairment exists for the financial instruments. The following factors are considered:

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

Past due but not impaired loans

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

Allowances for impairment

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

Write-off policy

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

Credit Rating / Scoring

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

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

Credit ratings / scoring form part of the Bank's loan application process, thus all prospective customers are rated

NOTES TO THE FINANCIAL STATEMENTS - Continued

during the credit underwriting process. Customer ratings/scores expire after 6months, thereafter, becomes invalid and a new rating required. This ensures that changes in the behavioural characteristic of the customer / customers' businesses are captured and reflect in the ratings / scores.

The Bank adopts the following measurement system for credit customer:

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

CREDIT SCORING / RATING APPLICATION

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

Scoring Model

The Bank's credit scoring model of SCORE SMART application summarizes available and relevant information compiled from customers' loan applications and reduces the information into a set of ordered categories (scores) that foretell an outcome. The model comprises weights applied on different variables (or attributes) that are predictive of default. These parameters are further described below. **The sum of the weights applied to the variables for a customer constitutes the credit score. A consumer's score is a numerical snapshot of the estimated risk profile at that point in time.**

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

2 basic types of credit rating / scoring are done:

- **Application Scoring**
Application scoring involves assigning point values to predictive variables on an application before making credit approval decisions. Only the information available at the time of underwriting and reported in an application forms are utilized. Application scores help determine the credit's terms and conditions.
- **Behavior Scoring**
Behavior scoring involves assigning point values to internally-derived information such as payment behavior, usage pattern, and delinquency history. It involves updating the assessment of credit risk in the light of the current and most recent performance of the consumer. Information available at the time of underwriting as well as any information that changes or becomes available subsequent to the account's approval is utilized.

The Rating System Grid

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

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

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

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

Risk Rating Parameters

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

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

Corporate Businesses (with financial statement)

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

- **Industry Risk Parameters**
 - ✓ Environmental factors
 - ✓ Size and strategic importance
 - ✓ Industry financial consideration
 - ✓ Industry sensitivity to interest rate, inflation, exchange rate, regulatory changes and
 - ✓ Competition
 - ✓ Future growth prospects
 - ✓ Target Market
- **Obligor Risk (Non-Financial)**
 - ✓ Position in the industry
 - ✓ Competitive environment
 - ✓ Shareholders' support
 - ✓ Management's competence, operations, marketing and finance
 - ✓ Distributors /suppliers network
 - ✓ Credit checks (Companies, other financial institutions, other creditors)
 - ✓ Brand /customer loyalty
 - ✓ Collateral Coverage, Liquidity & Marketability
 - ✓ In House Business Domiciliation
 - ✓ Corporate Goals
 - ✓ Succession Plan
- **Obligor Risk (Financial)**
 - ✓ Reliability of financial statements
 - ✓ Profitability of core business
 - ✓ Real sales growth
 - ✓ Operating cash flow
 - ✓ Working capital
 - ✓ Interest cover
 - ✓ Financial leverage

Retail and Consumer Scoring Parameters - Small and Medium Business Enterprises

The following parameters are considered in determining the credit scoring for small businesses:

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NOTES TO THE FINANCIAL STATEMENTS - Continued

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

Retail and Consumer Scoring Parameters - Individuals

The following parameters are used for obtaining the risk score for individuals:

- ✓ Age
- ✓ Marital Status
- ✓ Number of Dependents
- ✓ Educational qualification
- ✓ Employment Status
- ✓ Time with present employer
- ✓ Length of relationship with the Bank
- ✓ Annual income
- ✓ Collateral Coverage, Liquidity & Marketability.
- ✓ Debt Service Ratio
- ✓ Repayment Capacity
- ✓ Credit checks
- ✓ Relationship with Executive Management
- ✓ The political profile of the obligor
- ✓ Business Sector
- ✓ Collateral Type
- ✓ Repayment Sources
- ✓ Loan History
- ✓ No of Service Years, No of Years in Business, etc.

Credit collateral

The Mortgage Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2013.

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Credit concentrations

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

		Loans and advances to customers		Investment securities	
		31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Carrying amount	(note 16)	34,249,099	35,020,586	3,394,143	123,603
		=====	=====	=====	=====
Concentration by sector:					
Agriculture		1,315,429	1,455	-	-
Civil construction		15,716,118	14,621,587	-	-
Education		92,947	15,271	-	-
Energy		-	1,082,658	-	-
Financial institution		-	303	3,394,143	-
Government		-	-	-	123,603
Healthcare		54,744	98,658	-	-
Hospitality		101,962	87,814	-	-
Mortgages		13,054,972	14,561,300	-	-
Others		3,912,927	4,540,086	-	-
Public sector		-	11,454	-	-
		-----	-----	-----	-----
		34,249,099	35,020,586	3,394,143	123,603
		=====	=====	=====	=====
Concentration by location					
Nigeria:					
North-Central		31,046,562	31,775,268	105,815	123,603
North-West		212,446	793,656	-	-
South-South		242,670	309,824	-	-
South-West		2,747,421	2,141,838	3,288,329	-
		-----	-----	-----	-----
		34,249,099	35,020,586	3,394,143	123,603
		=====	=====	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS - Continued

(c) Liquidity risk

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

(d) Management of liquidity risk

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

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

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

- **Exposure to liquidity risk**

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

Net Liquid assets to customer liability	31 December 2013	31 December 2012
At the end of the year/period	22%	9%
Average for the year/period	16%	22%

(e) **Market risks**

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

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NOTES TO THE FINANCIAL STATEMENTS - Continued

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

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December 2013 and 31 December 2012 .

		Carrying	Gross nominal inflow/outflow	Less than 3	3 - 6	6 - 12	Over 1 year
	Note	Amount	Amount	months	months	months	
		N'000	N'000	N'000	N'000	N'000	N'000
31 December 2013							
Financial assets							
Cash and cash equivalents	15	17,433,875	17,433,875	14,433,169	2,340,000	660,706	-
Loans and advances	16	34,249,099	34,249,099	15,780,545	1,110,282	2,437,122	14,921,150
Investment securities - Held to Maturity	18.2	3,394,143	3,394,143	2,002,545	971,855	342,188	77,555
Promissory notes	17	2,931,730	2,931,730	-	-	-	2,931,730
		58,008,847	58,008,847	32,216,259	4,422,137	3,440,016	17,930,435
Financial liabilities							
Deposits from banks	23	53,325	53,325	53,325	-	-	-
Deposits from customers	23.1	58,470,141	58,470,141	34,799,466	8,714,396	7,804,753	7,151,526
Borrowings	26	10,448,305	10,448,305	8,003,836	88,098	-	2,356,371
		68,971,771	68,971,771	42,856,627	8,802,494	7,804,753.00	9,507,897
Net undiscounted financial assets/(liabilities)		(10,962,924)	(10,962,924)	(10,640,368)	(4,380,357)	(4,364,737)	8,422,538

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	Note	Carrying Amount N'000	Gross nominal inflow/outflow Amount N'000	Less than 3 months N'000	3-6 months N'000	6-12 months N'000	1-5 years N'000
31 December 2012							
Financial assets							
Cash and cash equivalents	15	17,086,901	17,086,901	16,117,843	100,853	868,206	-
Loans and advances	16	35,020,586	35,020,586	5,431,946	3,167,363	2,259,895	24,161,382
Investment securities - Held to Maturity	18.2	123,603	123,603	9,964	95,646	17,993	
Promissory notes	17	2,624,124	2,624,124				2,624,124
		54,855,214	54,855,214	21,559,753	3,363,862	3,146,094	26,785,506
Financial liabilities							
Deposits from banks	23	53,325	53,325	53,325	-	-	-
Deposits from customers	23.1	51,553,928	51,553,928	30,416,817	7,733,089	7,217,550	6,186,471
Borrowings	26	16,291,463	16,291,463	12,500,000	-	339,131	3,452,333
		67,898,716	67,898,716	42,970,142	7,733,089	7,556,681	9,638,804
Net undiscounted financial assets/(liabilities)		(13,043,502)	(13,043,502)	(21,410,389)	(4,369,227)	(4,410,587)	17,146,702

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NOTES TO THE FINANCIAL STATEMENTS - Continued

(g) Contractual maturity for liabilities and commitments

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments as at 31 December 2013 and 31 December 2012. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

December 2013	On Demand	Less Than 3 Months	3 - 12 Months	1-5 Years	Over 5 Years	Total
Bonds	-	1,352	-	-	-	1,352
Advance Payment Guarantees	-	-	48,978	-	-	48,978
Other Commitments and guarantees	-	-	-	10,357,416	-	10,357,416
Total	-	31,172,910	62,345,819	114,283,892	228,567,784	457,135,567

December 2012	On Demand	Less Than 3 Months	3 - 12 Months	1-5 Years	Over 5 Years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Bonds	-	-	-	135,000	-	135,000
Advance Payment Guarantees	-	451,248	70,461	-	-	521,709
Other Commitments and guarantees	-	-	-	12,504,453	-	12,504,453
Total	-	451,248	70,461	12,639,453	-	13,161,162

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

(h) Interest Rate Risk sensitivity Analysis

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

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

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

INTEREST RATE SENSITIVITY OF ASSETS AND LIABILITIES

	Note	Carrying Amount N'000	Gross nominal inflow/outflow Amount N'000	Less than 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	1-5 years N'000
31 December 2013							
Financial assets							
Cash and cash equivalents	15	17,433,875	17,433,875	14,433,169	2,340,000	660,706	-
Loans and advances to customers	16	34,249,099	34,249,099	15,780,545	1,110,282	2,437,122	14,921,150
Investment securities	18.2	3,394,143	3,394,143	2,002,545	971,855	342,188	77,555
Promissory notes	17	2,931,730	2,931,730	-	-	-	2,931,730
		<u>58,008,847</u>	<u>58,008,847</u>	<u>32,216,259</u>	<u>4,422,137</u>	<u>3,440,016</u>	<u>17,930,435</u>
Financial liabilities							
Deposits from banks	23	53,325	53,325	53,325	-	-	-
Deposits from customers	23.1	58,470,141	58,470,141	34,799,466	8,714,396	7,804,753	7,151,526
Borrowings	26	10,448,305	10,448,305	8,003,836	88,098	-	2,356,371
		<u>68,971,771</u>	<u>68,971,771</u>	<u>42,856,627</u>	<u>8,802,494</u>	<u>7,804,753</u>	<u>9,507,897</u>
Net undiscounted financial assets/(liabilities)		<u>(10,962,924</u>	<u>- 10,962,924</u>	<u>- 10,640,368</u>	<u>- 4,380,357</u>	<u>- 4,364,737</u>	<u>8,422,538</u>

INTEREST RATE SENSITIVITY ANALYSIS

	Increase /Decrease in bp	Net Gap	Cummulative Gap	Sensitivity on Profit	Annualized Period
Less than 3 months	+100bp	(10,640,368)	(10,640,368)	(26,237)	Three months
3-6 Months	+100bp	(4,380,357)	(15,020,725)	(21,602)	Six months
6-12 Months	+100bp	(4,364,737)	(19,385,462)	(43,647)	One Year
1-5 Yrs	+100bp	8,422,538	(10,962,924)	84,225	

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

INTEREST RATE SENSITIVITY OF ASSETS AND LIABILITIES

	Note	Carrying Amount N'000	Gross nominal inflow/outflow Amount N'000	Less than 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	1-5 years N'000
31 December 2012							
Financial assets							
Cash and cash equivalents	15	17,086,901	17,086,901	16,117,843	100,853	868,205	-
Loans and advances to customers	16	35,020,586	35,020,586	5,431,946	3,167,363	2,259,895	24,161,382
Investment securities	18.2	123,603	123,603	9,964	95,646	17,993	
Promissory notes	17	2,624,124	2,624,124				
		54,855,214	54,855,214	21,559,753	3,363,862	3,146,093	26,785,506
Financial liabilities							
Deposits from banks	23	53,325	53,325	53,325	-	-	-
Deposits from customers	23.1	51,553,928	51,553,928	30,416,817	7,733,089	7,217,550	6,186,471
Borrowings	26	16,291,463	16,291,463	12,500,000	-	339,131	3,452,333
		67,898,716	67,898,716	42,970,142	7,733,089	7,556,681	9,638,804
Net undiscounted financial assets/(liabilities)		(13,043,502)	(13,043,502)	(21,410,389)	(4,369,227)	(4,410,588)	17,146,702

INTEREST RATE SENSITIVITY ANALYSIS

	Increase /Decrease in bp	Net Gap N'000	Cumulative Gap N'000	Sensitivity on Profit N'000	Annualized Period
Less than 3 months	+100bp	(21,410,389)	(21,410,389)	(52,793)	Three months
3-6 Months	+100bp	(4,369,227)	(25,779,616)	(21,547)	Six months
6-12 Months	+100bp	(4,410,588)	(30,190,204)	(44,106)	One Year
1-5 Yrs	+100bp	17,146,702	(13,043,502)	171,467	

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Exposure to interest rate risk - non-trading portfolios

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

	Notes	Carrying Amount N'000	Repricing periods Less than 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	1-5 years N'000
31 December 2013						
Cash and cash equivalent	15	17,433,875	14,433,169	2,340,000	660,706	-
Loans and advances to customers	16	34,249,099	15,780,545	1,110,282	2,437,122	14,921,150
Investment securities- Held to maturity	18.2	3,394,143	2,002,545	971,855	342,188	77,555
Promissory notes	17	2,931,730	-	-	-	2,931,730
		58,008,847	32,216,259	4,422,137	3,440,016	17,930,435
<i>Non-derivative liabilities</i>						
Deposits from banks	23	53,325	53,325	-	-	-
Deposits from customers	23.1	58,470,141	34,799,466	8,714,396	7,804,753	7,151,526
Borrowings	26	10,448,305	8,003,836	88,098	-	2,356,371
		68,971,771	42,856,627	8,802,494	7,804,753	9,507,897
Gap (assets - liabilities)		(10,962,924)	(10,640,368)	(4,380,357)	(4,364,737)	(8,422,538)
Cummulative liquidity gap		(10,962,924)	(10,640,368)	(15,020,725)	(19,385,462)	(10,962,924)

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Notes		Repricing periods				
		Carrying Amount	Less than 3	3 - 6	6 - 12	1-5 years
			months	months	months	
	Note	N'000	N'000	N'000	N'000	N'000
31 December 2012						
Cash and cash equivalent	15	17,086,902	16,117,843	100,853	868,206	-
Loans and advances to customers	16	35,020,586	5,431,946	3,167,363	2,259,895	24,161,382
Investment securities	18.2	123,603	9,964	95,646	17,993	-
Promissory notes	17	2,624,124	-	-	-	2,624,124
		54,855,215	21,559,753	3,363,862	3,146,094	26,785,506
Non-derivative liabilities						
Deposits from banks	23	53,325	53,325	-	-	-
Deposits from customers	23.1	51,553,928	30,416,817	7,733,089	7,217,550	6,186,472
Other borrowed funds	26	16,291,463	12,500,000	-	339,131	3,452,332
		67,898,716	42,970,142	7,733,089	7,556,681	9,638,804
Gap (assets - liabilities)		(13,043,501)	(21,410,389)	(4,369,227)	(4,410,587)	17,146,702
Cummulative liquidity gap		(13,043,501)	(34,453,890)	(38,823,117)	(43,233,704)	(26,087,002)

NOTES TO THE FINANCIAL STATEMENTS - Continued

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

Interest rate movement affect reported equity in the following ways:

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

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

31 During the year, the Bank contravened certain circulars and guidelines of Central Bank of Nigeria and BOFIA Act.

S/N	Description
1	The PMB's contravention during the review year are as follows:
2	Section 12(c) of BOFIA 1991 (as amended) by failing to ensure full implementation of the recommendations of the previous examination report.
3	Section 2.5(a) of the Revised Guidelines for Primary Mortgage Banks in Nigeria on the stipulated number of non-executive directors on the Board.
4	Section 6.3 of the Revised Guidelines for operating a cash centre without CBN'S approval.
5	Section 19(4) of BOFIA 1991 (as amended) for non-executive of the Code of Conduct forms by the PMB's directors.
6	Section 4.4b (ii) of the Revised Guidelines by failing to display its latest approved abridged accounts in some of its branches.
7	Section 5.1 (b) of the Revised Guidelines by failing to maintain a minimum liquidity ratio of 20%.
8	Section 5.1 (c) of the revised Guidelines by failing to maintain a minimum of 10% of capital adequacy ratio against risk assets.
9	Section 5.1 (d) of the Revised Guidelines by failing to maintain a minimum of 50% of mortgage assets to total assets.
10	Section 5.1 (e) of the Revised Guidelines by failing to maintain a minimum of 60% of mortgage assets to loanable funds.
11	CBN Circular No. OFI/DIR/GEN/01/107 by having investments in real estate properties.
12	Section 5.1 (i) of the Revised Guidelines by investing less than 75% of its mortgage assets in residential mortgages.
13	Section 5.1 (k) of the Revised Guidelines by granting facilities in excess of 20% of its shareholders' fund to one of its subsidiaries and some corporate bodies.

ASO SAVINGS AND LOANS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

S/N	Description
14	Section 5.1 (h) of the Revised Guidelines by holding more than 10% equity investment in ASO Investment Development (AIDC) without the prior approval of CBN.
15	Section 5.1 (h) of the Revised Guidelines by engaging in non-permissible activities.
16	Section 5.3.9 of the Code of Corporate Governance for Banks in Nigeria by including allowances other than sitting allowances, directors' fees and reimbursable travel and hotel expenses as part of non-executive directors' remuneration.
17	Section 5.1.2 of Code of Corporate Governance for Banks in Nigeria by allowing Abuja Investment Company Ltd (AICL), a government parastatal, to invest more than 10% in the equity of the PMB.
18	Delay/Failure to file periodic returns to the Security and Exchange Commission. The Bank paid the sum of ₦12,490,000 as penalty during the year.

32 Customer Complaints

In line with circular FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the period ended 31 December 2013 is as set out below:

	31 December 2013 '000	31 December 2012 '000
Number of complaints received	6,506	622
	=====	===
Number complaints resolved	5,666	622
	=====	===
Number of complaints not resolved	840	-
	===	===
	₦'000	₦'000
Total Disputed Amount	75,540	17,423
	=====	=====

32 Events after the reporting date

The Bank is in the process of finalizing the acquisition of one of the biggest Mortgage Banks in the industry (Union Homes Savings and Loans Limited) with a view to integrating both entities. Memorandum of Understanding ("MOU") and Transaction Implementation Agreement ("TIA") have been executed with the entity's parent company. The Central Bank of Nigeria ("CBN") has also given its 'no objection' to the proposed acquisition. The acquisition is expected to be concluded before the end of the third quarter of the 2014 financial year. The acquisition is expected to increase the share capital of the Bank.

ASO SAVINGS AND LOANS PLC

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2013

	12 Months to DECEMBER 2013 K'000	%	9 Months to DECEMBER 2012 K'000	%
Gross Earnings	10,299,129		10,157,867	
Interest Expense	(4,208,008)		(4,064,497)	
	-----		-----	
	6,091,121		6,093,370	
Net impairment loss on financial assets	(1,377,214)		1,946,976	
Bought-in-materials and services - local	(1,630,448)		(5,145,046)	
	-----	----	-----	----
Value added	3,083,459	100	2,895,300	100
	-----	----	-----	----
Applied to pay:				
Employee as wages, salaries and pension	2,062,974	67	2,292,867	79
Government taxes	401,255	13	413,502	14
Retained in business:				
Depreciation and amortisation	411,721	14	306,074	11
Profit/(loss) for the year	207,509	6	(117,143)	(4)
	-----	----	-----	----
	3,083,459	100	2,895,300	100
	=====	====	=====	====

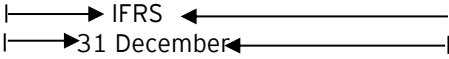
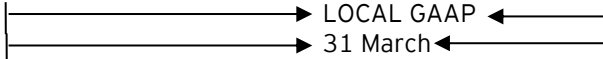
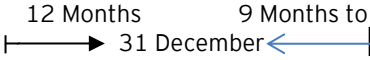
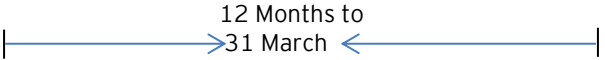
ASO SAVINGS AND LOANS PLC

FIVE-PERIOD FINANCIAL SUMMARY

	FRS 31 December		LOCAL GAAP 31 March		
	2013 N'000	2012 N'000	2012 N'000	2011 N'000	2010 N'000
Assets:					
Cash and cash equivalents	17,433,875	17,086,901	29,739,001	-	-
Cash in hand and balances with banks	-	-	-	7,390,474	4,160,021
Placements and treasury bills	-	-	-	20,431,129	15,645,730
Loans and advances to customers	34,249,099	35,020,586	40,165,688	33,079,667	32,548,781
Long-term investments	-	-	-	155,110	155,110
Promissory notes	2,931,730	2,624,124	-	-	-
Non-current asset held for sale	18,082,236	20,133,320	10,177,236	9,762,157	662,500
Financial instruments:					
- Available for sale	-	-	77,556	-	-
- Held-to-maturity	3,394,143	123,603	226,047	-	-
Other assets	8,305,387	3,539,283	2,867,155	4,358,317	7,740,251
Property, plant and equipment	2,708,492	1,501,400	1,907,463	1,714,553	1,865,822
Intangible assets	17,758	34,096	42,239	56,419	-
Deferred taxation (asset)	-	110,527	110,527	13,448	49,722
Total assets	87,122,720	80,173,840	85,312,912	76,961,274	62,827,937
Liabilities:					
Deposits from banks	53,325	53,325	6,057,920	-	-
Deposit and current account	-	-	-	65,009,377	45,117,165
Due to other banks	-	-	-	-	5,600,000
Deposits from customers	58,470,141	51,553,928	68,373,692	-	-
Current tax liabilities	245,258	490,847	305,913	343,232	180,184
Deferred tax tax (liability)	63,371	-	-	-	-
Other liabilities	12,511,679	9,692,438	5,284,677	6,617,648	2,342,181
Borrowings	10,448,305	16,291,463	3,081,728	1,982,565	7,792,290
Total liabilities	81,792,079	78,082,001	83,103,930	73,952,822	61,031,820

ASO SAVINGS AND LOANS PLC

FIVE-PERIOD FINANCIAL SUMMARY - Continued

					
	2013 N'000	2012 N'000	2012 N'000	2011 N'000	2010 N'000
Total Equity	5,330,641 =====	2,091,839 =====	2,208,982 =====	3,008,452 =====	1,796,117 =====
Total liabilities and equity	87,122,720 =====	80,173,840 =====	85,312,912 =====	76,961,274 =====	62,827,937 =====
					
	2013 N'000	2012 N'000	2012 N'000	2011 N'000	2010 N'000
PROFIT OR LOSS ACCOUNT					
Gross Earnings	10,299,129 =====	10,157,867 =====	10,739,116 =====	11,007,714 =====	10,090,144 =====
Profit/(loss) before taxation	608,764 =====	296,359 =====	(245,671) =====	1,902,859 =====	(3,127,809) =====
Profit/(loss) after taxation	207,509 =====	(117,143) =====	(370,766) =====	1,212,335 =====	(3,247,459) =====