



Annual Report & Accounts 31st December 2014

## Our Value Statement

We strive to honour God  
and be respectful of each other,  
our customers and other stakeholders.

## Our Vision Statement

To be the preferred Primary Mortgage Institution  
with a commanding presence nation-wide.

## Our Mission Statement

To consistently create value to stakeholders  
by providing excellent services through  
creative and caring employees using innovative  
technology applications in a  
first class ambience.

Annual Report  
& Accounts  
31st December  
2014



## CORPORATE INFORMATION

### Directors

Rev. Dr. Vincent Alaje - Acting Chairman  
Anthony Okechukwu Ewelike - Managing Director/CEO  
Ngozi Onyemuwa Anyogu - Executive Director/COO  
Barr. Patrick Chinweike Abuka - Director  
Barr. Danjuma Suleman -Director  
Rev. Chidi Okoroafor Ph.D -Director  
Rev. Pastor Ejikeme Ejim -Director  
Mr. Sally Biose -Director

### Company Secretary:

Barr. Anthony Okonmah

**Registered Number:** RC 602252

**Date of Registration:** 21 July, 2004

**Operating License Number:** 000000005

**Date Licensed:** 31 December, 2004

**Registered Office:** 96, Opebi Road, Ikeja, Lagos.

**Head Office/Opebi Branch:**  
96 Opebi Road, Ikeja, Lagos.

#### **Auditors:**

Baker Tilly Nigeria,  
(Chartered Accountants),  
Kresta Laurel Complex (4th Floor),  
376, Ikorodu Road, Maryland, Lagos.

#### **Correspondent Banks:**

United Bank for Africa Plc  
Access Bank Plc

#### **Registrars**

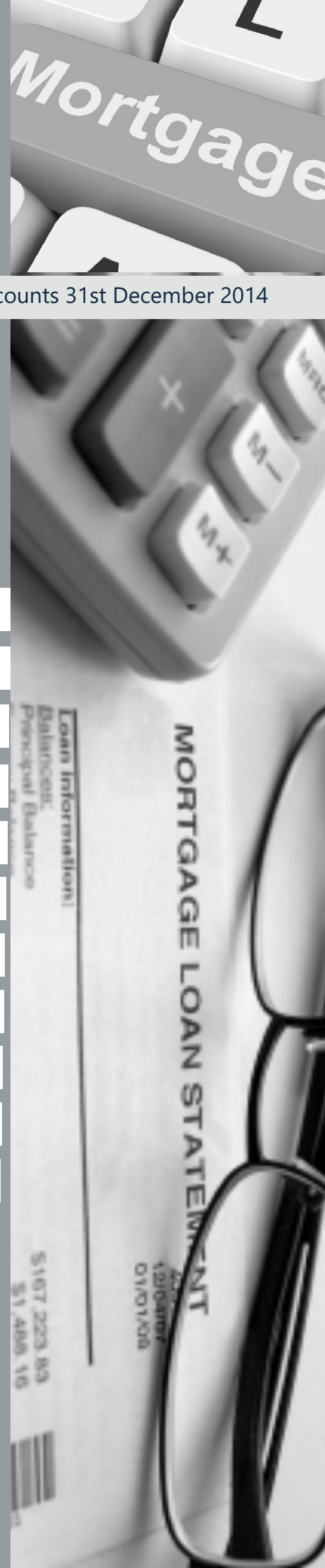
CardinalStones Registrars Limited  
358, Herbert Macaulay Way,  
Yaba, Lagos

*...a partner you can trust*



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## The Board



**Rev. Dr. Vincent Alaje**  
Acting Chairman



**Anthony Okechukwu Ewelike**  
Managing Director/CEO



**Ngozi Anyogu**  
Executive Director/COO



**Barr. Danjuma Suleman**  
Director



**Rev. Chidi Okoroafor Ph.D**  
Director



**Barr. Patrick Chinweike Abuka**  
Director



**Rev. Pastor Ejikeme Ejim**  
Director



**Mr. Sally Biose**  
Director

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## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 10<sup>th</sup> Annual General Meeting of AG MORTGAGE BANK PLC will hold at De Renaissance Hotels, 172 Awolowo Way, Alausa, Ikeja, Lagos by 11 am on the 3<sup>rd</sup> day of December 2015 to transact the following business:

### I. ORDINARY BUSINESS

- 1.1 To receive the Audited Financial Statements for the Year ended 31<sup>st</sup> December 2014, the reports of the Directors and Auditors thereon and the Audit Committee Reports.
- 1.2 To elect/re-elect Directors.
- 1.3 To renew the appointment of the independent auditors, Baker Tilly Nigeria, for the 2015 financial year and to authorize the Directors to fix the remuneration of the Auditors.
- 1.4 To elect members of the Audit Committee for the ensuing financial year.
- 1.5 To declare dividend.

Dated this 2<sup>nd</sup> October 2015

### NOTES

**COMPANIES MAY ACT THROUGH REPRESENTATIVES AT THE MEETING.** Companies may, by resolution of their directors or other governing body, authorize such persons(s) as they may think fit to act as their representative(s) at the meeting and any person so authorized shall be entitled to exercise the same persons on behalf of the Company as the

Company could exercise if it were an individual member of the company.

### PROXY

A member of the Company entitled to attend and vote at the general meeting can appoint a proxy in his stead. All instructions of proxy should be completed, stamped and deposited at the Head Office of the Company, 96 Opebi Road, Ikeja, Lagos, not later than 48 hours

before the time of holding the meeting. A proxy need not be a member of the Company. A blank proxy form is attached to the Annual Report.

### CLOSURE OF REGISTER

For the purpose of attendance at the meeting, the Register shall close at the end of business on 20<sup>th</sup> November 2015.

### AUDIT COMMITTEE

The Audit Committee of the Company consists of two (2) shareholders and two (2) directors. As stipulated by Section 359(5) of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, any member may nominate a shareholder for election to the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least twenty one (21) days before the Annual General Meeting.

Signed by

A handwritten signature in black ink, appearing to be 'Anthony Okonmah'.

**Barr. Anthony Okonmah**  
Company Secretary





**MORTGAGE  
BANK PLC**

## CHAIRMAN'S STATEMENT



**F**ellow shareholders, invited guests, ladies and gentlemen. It is my pleasure to welcome you to the 10th Annual General Meeting of your Company for the financial year ended December 31st 2014. I count it a privilege to present to you a review of the business and operations of your Bank.

The year under review witnessed major economic turbulence following the continuous slide in crude oil prices around the world. Given the country's dependence on oil revenue, the slide has impacted negatively on all economic and financial indices including interest rates. This has led to increases in our cost of doing business

### THE MORTGAGE INDUSTRY

The fundamental challenge of our operations in the mortgage industry remains the paucity of long term funds to sustain demand for mortgages. However, the intervention of the Nigerian Mortgage Refinancing Company will definitely improve the liquidity and vibrancy of the mortgage sector.

Also, the abrogation/amendment of the provisions of the Land Use Act which have continued to hinder development of new housing stock and housing delivery in Nigeria cannot be over-emphasized. We hope that the National Assembly will expedite action on its repeal/amendment for more flexibility in processing title to land and possibly reduce land related transaction costs.

The Federal Mortgage Bank of Nigeria has also made significant strides within its funding constraints in providing on-lending facilities to Mortgage Banks. We are grateful for their sustained support to our Bank.

### OPERATING RESULTS

Our operating income reduced by N5million from N407million in 2013 to N402million in 2014 while operating expense grew by N18million to N336million representing approximately 6% increase.

Profit before tax increased to N90million in 2014 from N63million in 2013 representing approximately 43% improvement. Interest income increased by N63.4million from N558.3million to N621.7million representing 11.35% increase

We shall continue to focus on the diversification of our income by increasing fee based activities in the coming year. The "Save For It" promo which is aimed at boosting income as well as cash flow is currently on-going

Our total assets grew from N7.1billion to N7.4billion. Mortgage and other loans represent N3.10billion while investment properties increased to N2.43billion at the end of the review period.

These growth indicators point to the fact that we are moving

in the right direction.

### DIVIDENDS

We declared and paid a dividend in 2013 and desire to sustain the practice this financial year. Consequently your Board recommends a dividend of .04k per share to shareholders whose names were on the register as at 31st December 2014.

### RECAPITALISATION

You will recall that the Banks's Authorised Share Capital was proactively increased to N5billion in 2008. Having obtained a State Mortgage Banking authorisation in 2015 which saw us change our name to AG MORTGAGE BANK PLC at the last Annual General Meeting, a major challenge was how to raise our paid-up capital to the regulatory minimum requirement of N5billion to obtain a National license.

As you are aware, your Bank already operate from branches located in two states and the Federal Capital Territory, Abuja. Consequently, in line with your earlier resolution, the Board had directed that the sum of N2.591 billion be raised by way of Rights Issue to enable the Bank meet the regulatory minimum for a national license. The necessary applications have been filed with the Securities and Exchange Commission (SEC). The Issue when approved will offer existing shareholders 10 units of shares for every 14 held.

It is important we remind ourselves of the primary goal of our Company; to make real the dream of those who aspire to own their houses through mortgage facilities. As a Company rooted in faith, we don't just provide houses, we support home delivery. The house is where families relate as family; where they grow and educate their children and provide hope for the future. This is a noble goal.

So as we turn to you to raise our much needed capital to upgrade to a National Primary Mortgage Bank, I enjoin you to continue in this noble goal.

### APPRECIATION

I must express my profound appreciation to our distinguished shareholders, my colleagues on the Board, Management and staff who worked assiduously to see us achieve this result during the financial year. I also thank our numerous customers, regulatory authorities, service providers and indeed all stakeholders for their support and encouragement. The future is bright for us all and we shall continue to reap the fruits of our investments in AG MORTGAGE BANK PLC.

Thank you.

**Rev. Dr. Vincent Alaje**  
Acting Chairman of the Board

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

**D**istinguished shareholders, ladies and gentlemen. On behalf of the Board of Directors, Management and staff, I welcome you to the 10th Annual General Meeting of AG Mortgage Bank Plc and present to you our financial statement for the year ended December 2014.

### INTRODUCTION

The year 2014 posed a stimulating and challenging year for us. Stimulating in the sense that the period witnessed great improvement in our operational result over last year's performance and challenging because of the enormous work it generated which will drive the success of the Bank into the future. The process of bringing the Bank to the regulatory minimum capital base of N5billion has commenced through an impending Rights Issue which when approved by the Securities and Exchange Commission (SEC) will see us not only retain our branches in Enugu and Abuja but spread the network to other economically buoyant cities across the country in the ensuing years.

In the year under review, we focused operation on our core area of Mortgage and Construction financing. We created additional mortgages to boost house ownership despite the enormous challenges in the financial system.

### FINANCING HIGHLIGHTS

Our operating income decreased by N5million from N407m in 2013 to N402m in 2014 while operating expenses increased by N18m from N318million to N336million representing approximately 6% increase

Profit before tax increased to N90m in 2014 from N63m in 2013 representing approximately 43% improvement

Our total assets grew from N7.1 billion to N7.4billion. Mortgage and other loans stood at N3.10billion at the end of the review period.

Interest income increased by N63.4million from N558.3million to N621.7million which represents

approximately 12% increase. Our current focus is to continue to diversify our income source by increasing fee based activities as we have commenced intensifying marketing of new products such as HARP, a rent-to own mortgage scheme, the LIMO to provide mortgage to low income earners. We have also developed several Mortgage Focused Deposit (MFD) savings products to diversify our deposit base and internally generated long and medium term funds to support our mortgage business.

Having paid dividend in 2013, we hope to sustain the practice in the ensuing years.

### THE FUTURE

In the coming year, we shall continue the realisation of our investment properties through strategic alliance with reputable Estate Developers. The development of Marvel Heights Estate at Isheri North Lagos on which we will create mortgages shall commence soon with 21 terrace houses and 284 flats. The Gwarimpa and Ofada projects are near completion and ready for hand over to off-takers.

We shall continue to upgrade our product features and delivery to meet the increasing demands of our customers and also pay attention to the quality of our risk assets by ensuring that customers leave up to their repayment obligation.

### CONCLUSION

Over the past years, we have been laying the foundation for an organisation that will meet the aspiration of our shareholders which has now translated to dividend payments. We promise not to relent. May I thank our esteemed shareholders for the confidence reposed in us. We assure you of better and more rewarding years ahead.

Thank you.



**Anthony Ewelike**



## RESULTS AT A GLANCE

	2014 N'm	2013 N'm	% change
<b>Major Profit and Loss Account Items</b>			
Gross Income	688	658	5
Interest Expenses	250	183	37
Overhead Expenses	375	345	9
Profit after taxation	90	64	41
Profit after Taxation and other comprehensive income	72	54	33
	=====	=====	=====
<b>Major Statement of Financial Position Items:</b>			
Mortgage and other Loans and Advances	3,109	2,590	20
Deposits	1,808	1,751	3
Share Capital	1,543	1,543	-
Shareholders' Fund	2,971	2,881	3
Total Assets	7,476	7,185	4
	=====	=====	=====
<b>Per 50k share data</b>			
	<b>k</b>	<b>k</b>	
<b>Basic:</b> (Based on 3,085,333,334 ordinary shares)			
Earnings	3	2	
Net Assets	96	93	
Total Assets	242	233	
	=====	=====	
<b>Diluted:</b>			
Earnings	3	2	
Net assets	96	93	
Total assets	242	233	
	=====	=====	
Number of Branches and Cash Centres	5	5	
Number of Employees	68	66	
	=====	=====	



## REPORT OF THE DIRECTORS

The Directors hereby submit their report and the financial statements of the Company for the period ended 31 December, 2014.

1.	<b>Result for the Period</b>	
		<b>N'000</b>
	Profit after Taxation	90,022
	Transfer to statutory reserve	<u>(18,004)</u>
		<u>72,018</u>
	<b>Other Comprehensive Income</b>	-
		-----
	<b>Total Comprehensive Income</b>	<b>72,018</b>
		=====

2. **Legal Form**

The Company was incorporated on 21 July, 2004 as a private liability company limited by shares and commenced operations on 5th January, 2005.

3. **Principal Activities**

The Company is licensed by the Central Bank of Nigeria to carry on mortgage banking business, with license No. 000000005 dated 31 December, 2004.

4. **Branches and Cash Centres**

As at the balance sheet date, the Company had a branch at the Head Office, 2 other branches at Enugu and Abuja and 2 Cash Centres at Surulere and Festac Town, all in Lagos.

5. **Directors' Shareholding**

The interest of the Directors in the issued share capital of the Company is as follows:-

	Number of shares held	
	At 31 December 2014	At 31 December 2013
Mr. Anthony O. Ewelike	<b>28,000,000</b>	28,000,000
Mr. Ngozi O. Anyogu	<b>22,000,000</b>	22,000,000
Rev. Dr. Vicent Alaje	<b>6,000,000</b>	6,000,000
Barr. Patrick C. Abuka	<b>2,734,000</b>	2,734,000
Barr Danjuma Suleiman	<b>2,000,000</b>	2,000,000

## REPORT OF THE DIRECTORS

### 6. Directors

The names of the current Directors are listed on page 2.

#### 6.1. Directors Retiring by Rotation

In accordance with Articles 84, 85, 86, 87, and 88 of the Company's Articles of Association, one-third of the directors of the Company shall retire from office. The directors to retire every year shall be those who have been longest in office since their last election, but as between persons who become directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The director retiring by rotation is Barr Danjuma Suleiman and being eligible offers himself for re-election.

6.2. None of the directors has notified the Company, for the purpose of Section 277 of the Companies and Allied Matters Act, Cap C20, LFN 2004, of any disclosable interest in the contracts with which the Bank was involved during the year under review.

### 7. Directors' Responsibility

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act Cap C20 LFN 2004, the Directors of the Company are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company at the end of each financial year, and of the profit or loss for that year, and comply with the provisions of the Companies and Allied Matters Act, CAP C20 LFN 2004. In doing so, they ensure that:-

- proper accounting records are maintained;
- applicable accounting standards are followed;
- suitable accounting policies are adopted and consistently applied;
- the going concern basis is used, unless it is inappropriate to presume that the company will continue in business; and
- adequate internal control procedures are instituted which, as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities.

### 8. Analysis of Shareholding

The Ordinary Shares of the Company as at 31 December, 2014 were held as follows: -

No. of	Percentage ordinary shares held	share holding
Assemblies of God Ministers Benefit Scheme	2,573,333,334	83.4
AG Nigeria	160,000,000	5.2
Others	<u>352,000,000</u>	<u>11.4</u>
	<b>3,085,333,334</b>	<b>100</b>
	=====	=====

Additional allotment of 1,336,728,333 ordinary shares of 50k each was approved by SEC during the year to shareholders that subscribed. The allotment had however not been filed with the Corporate Affairs Commission as at the year end.

## **REPORT OF THE DIRECTORS**

### 9. **Corporate Governance**

#### 1. **Introduction**

AG Mortgage Bank Plc has remained true to its reputation built within its eight years of mortgage banking practice as an organization founded on integrity, professionalism and exemplary corporate governance practices. Our strong values remain an important ingredient in sustaining shareholder value, while ensuring that behavior is ethical, legal and transparent. AG Mortgage Bank Plc is governed by a framework which, in line with the Central Bank's Code of Conduct for Board of Directors of Banks and financial institutions, ensures that checks and balances are facilitated and that appropriate controls are put in place. The corporate governance principles of the Company are designed to promote high standards of corporate governance as we benchmark ourselves against best practices as the Board recognizes the importance of best corporate governance principles, its invaluable accountability to its shareholders.

The Shareholders at the General Meeting remain the highest decision making body of AG Mortgage Bank Plc. Effect is given to the Memorandum & Articles of Association of the Company as well as any laws for the time being in force in Nigeria. Members are given opportunity to take part in decisions affecting the strategic direction of the Company.

#### **The Board**

##### **Board Committees**

The Board's functions are dispensed through the five (5) standing committees each of which has clearly defined composition, duties, purpose and reporting lines to the Board. The standing committees are as listed hereunder:

- Board Credit Committee
- Board Audit Committee Board Establishment and General Purpose Committee
- Shareholders Audit Committee
- IT Steering Committee

##### **Board Credit Committee**

The Board Credit Committee is responsible for approval of loans above Executive Management's authority limits as defined by the Board of directors from time to time. The Committee ensures that internal control procedures in the area of risk assets remain high to safeguard the quality of the Company's risk assets.

##### **Board Statutory Audit Committee**

Before the setup of the Statutory Audit Committee, the Bank as a public company exercised its oversight functions on credit through its Board Audit Committee which has the responsibility of ensuring that the Bank complies with all relevant policies and procedures from the regulators and as laid down by the Board of Directors. The four man Statutory Audit Committee consists of two executive and two non-executive directors. Although the Statutory Audit Committee is now in place considering the Company's plc status, the Board has retained its Audit Committee because of the importance attached to audit functions. The Internal Auditor has access to the Audit Committee and presents quarterly reports.

## REPORT OF THE DIRECTORS

### Board Establishment and General Purpose Committee

The Establishment and General Purpose Committee is strategically positioned for its functions which includes human resource issues, investments and general operational matters. This Committee provides governance and strategic oversight for considering remunerations, human resources activities and senior management development.

### IT Steering Committee

The Committee was established to ensure that the Bank meets, at every point in time, the IT need of modern banking. The Committee exercises oversight functions over the IT Unit through the instrumentality of the Internal Control Unit of the Bank. It ensures the IT policy of the Bank is tailored to meet regulatory requirements.

### Risk Management

We recognize that the new dispensation has introduced a fresh approach to risk management which must be reflected in the operational principles of organisations such as ours. The Company shall be repositioned to accommodate innovative techniques in credit administration and remedial services. We raised the bar in our risk management standards to enable us remain in tune with developments at all times. Our risk management framework and team were put in place within the financial year to ensure an adequate risk management.

## 2. RECORD OF DIRECTORS ATTENDANCE

In accordance with Section 258(2) of the Companies and Allied Matters Act, Cap C20, LFN 2004, the record of Directors' attendance at Directors meetings during the financial year under review is as follows:

Name	No. of Board Meetings	No. Attended	No. Absent
Rev. Vincent Alaje	4	3	1
Anthony O. Ewelike	4	4	Nil
Ngozi Onyemuwa Anyogu	4	4	Nil
Barr. Parick C. Abuka	4	4	Nil
Barr. Danjuma Suleman	4	4	Nil
Rev. Chidi Okoroafor Ph.D	4	2	2
Rev. Pastor Ejikeme Ejim	4	3	1
Mr. Sally Biose	4	2	2

### 10. Property, plant and equipment Assets

Movements in **Property, plant and equipment** are shown in Note 12 on page 38. In the opinion of the Directors, the value of the company's properties is not less than the book value.

### 11. Declaration of Fraud and Forgeries

There were no reported cases of fraud and forgeries during the period under review.

### 12. Events after Reporting Date

There are no events after reporting date which could have had a material effect on the state of affairs of the company as at 31 December, 2014 which have not been provided for or disclosed in these financial statements.

## REPORT OF THE DIRECTORS

### 13. Employment and Employees

(i) **Employment of Physically Challenged Persons**

The company does not discriminate in considering applications for employment including those from disabled persons. All employees are given equal opportunities for self development.

(ii) **Employees Involvement and Training**

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

Management, professional and technical expertise are the Company's major assets and investment in their further development continues.

The Company's expanding skill base has increased by a range of training programmes provided to its employees whose opportunities for career development within the company have thus been enhanced.

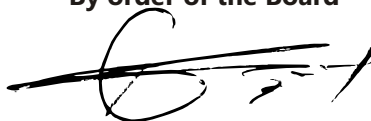
(iii) **Health, Staff Welfare and Safety at Work**

Health and safety regulations are in force within the company's premises, and employees are aware of safety regulations. The Company provides subsidies to all employees for medical, transportation, housing and lunch. Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these include bonuses, salary reviews, promotions, etc.

### 14. Auditors

Messrs Baker Tilly Nigeria (Chartered Accountants) have indicated their willingness to continue as Auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004. A resolution will be proposed at the Annual General Meeting to authorise the Directors to fix their remuneration.

**By order of the Board**



**Barr. Anthony Okonmah**

*Company Secretary*

**FRC/2015/NBA/00000012622**

**Lagos, Nigeria**

**31 July, 2015**

## REPORT OF THE AUDIT COMMITTEE

TO THE MEMBERS OF AG MORTGAGE BANK PLC

In compliance with Section 359 sub section 6 of the Companies and Allied Matters Act Cap C20 LFN 2004, we have:

- reviewed the scope and planning of the audit requirements.
- reviewed the External Auditors' management report for the period ended 31 December, 2014 as well as the Management responses thereon.
- ascertained that the accounting and reporting policies of the Company for the period ended 31 December, 2014 are in accordance with legal requirements and agreed ethical practices.

The External Auditors had discharged their duties conscientiously and without fear or favour whilst the management responded with due sense of responsibility and cooperation to the audit points raised.

Dated this 31 July, 2015



**Engr. Eme Tasie**

*Chairman Audit Committee*

### **Members of the Audit Committee:**

Engr. Eme Tasie - Chairman

Mr. Ngozi Anyogu

Barr. Patrick C. Abuka

Barr. Monday Ubani



## REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF AG MORTGAGE BANK PLC

### **Report on the financial statements**

We have audited the accompanying financial statements of AG Mortgage Bank Plc, for the year ended 31 December, 2014, set out on pages 17 to 57 which have been prepared on the basis of significant accounting policies on pages 21 to 40 and other explanatory notes on pages 41 to 57.

### **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 with the requirements of the Financial Reporting Council of Nigeria Act No.6 of 2011, the Companies and Allied Matters Act, Cap C20 LFN, 2004 and the Banks and Other Financial Institutions Act Cap B3 LFN 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with Nigerian Standards on Auditing (NSAs) issued by the Institute of Chartered Accountants of Nigeria. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material mis-statement of the financial statements. In making those risk assessments, the auditor considers 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 the Directors, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company's financial position as at 31 December, 2014 and of its financial performance and cash flows for the year then ended, in compliance with the requirements of the Financial Reporting Council of Nigeria Act, No 6 of 2011, the Companies and Allied Matters Act, CAP C20 LFN, 2004 and the Banks and Other Financial Institutions Act Cap B3 LFN 2004.



## REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF AG MORTGAGE BANK PLC

### Report on other legal requirements

The Companies and Allied Matters Act, CAP C20 LFN, 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that: -

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Company; and
- iii) the Company's statement of financial position and profit or loss account and other comprehensive income are in agreement with the books of account.

A handwritten signature in black ink, appearing to read 'M. E. Ariemuduigho', is written over a dotted line.

**M. E. Ariemuduigho**  
**FRC/2013/ICAN/0000002724**  
on behalf  
of  
**Baker Tilly Nigeria**  
**(Chartered Accountants)**

**Lagos, Nigeria**  
**31 July, 2015**





**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE PERIOD ENDED 31 DECEMBER, 2014

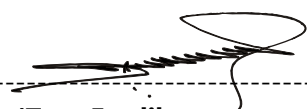
	Note	31 Dec 2014	31 Dec 2013
Interest income	4	<b>621,781</b>	558,328
Interest expense	5	<b>(249,495)</b>	(183,107)
<b>Net interest income</b>		<b>372,286</b>	375,221
Fee and commission income	6	<b>29,877</b>	31,860
Fee and commission expense		-	-
<b>Net fee and commission income</b>		<b>29,877</b>	31,860
<b>Operating income</b>		<b>402,163</b>	407,081
Operating expenses	7	<b>(336,016)</b>	(318,759)
Depreciation and amortization charges	8	<b>(39,082)</b>	(25,750)
Impairment gain/loss	13.1	<b>22,293</b>	(51,447)
Share of profit/loss of associate	15	<b>(912)</b>	4,176
<b>Operating profit</b>		<b>48,446</b>	15,301
Other income	9	<b>36,412</b>	67,590
<b>Profit for the year</b>		<b>84,858</b>	82,891
Information Technology Development Levy	23.1	<b>(849)</b>	(829)
Current taxation	22.1	<b>(12,332)</b>	(14,946)
Deferred tax	22.1	<b>18,345</b>	(3,120)
<b>Profit after tax</b>		<b>90,022</b>	63,996
Transfer to statutory reserve	28	<b>(18,004)</b>	(12,799)
		<b>72,018</b>	51,197
<b>Other comprehensive income:</b>			
Net gain on investment securities	14.1	-	3,574
Revaluation Surplus on Investment Properties	27	-	(350)
		-	3,224
<b>Profit after tax and other comprehensive income for the year</b>		<b>72,018</b>	54,421
Basic earnings per share	33	<b>3k</b>	2k

**STATEMENT OF FINANCIAL POSITION**

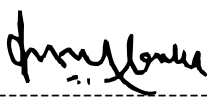
AS AT 31 DECEMBER, 2014

	Note	31 Dec, 2014 N'000	31 Dec, 2013 N'000
<b>Assets</b>			
Cash and Cash Equivalents	10	326,520	109,353
Government Securities	11	-	10,318
Due from other Banks	12	231,587	1,749,760
Mortgage, Other Loans and Advances	13	3,108,546	2,589,904
Investment Securities available for sale	14	50,734	50,734
Investment in Associate	15	73,629	74,541
Other Assets	16	574,068	300,276
Investment Properties	17	2,434,680	1,606,140
Deferred tax asset	22.5	30,622	30,622
Property, Plant and Equipment	18	639,285	656,741
Intangible Assets	19	6,143	7,058
		-----	-----
<b>Total Assets</b>		<b>7,475,814</b>	<b>7,185,447</b>
		-----	-----
<b>Liabilities</b>			
Deposits from Customers	20	1,808,087	1,750,917
Borrowings from FMBN	21	1,722,166	1,504,971
Income Tax	22.3	42,309	54,843
Deferred Tax Liabilities	22.4	26,898	45,243
Other Liabilities	23	905,110	948,251
		-----	-----
<b>Total Liabilities</b>		<b>4,504,570</b>	<b>4,304,225</b>
		-----	-----
<b>Capital and Reserves</b>			
Share Capital	24	1,542,667	1,542,667
Share Premium	25	221,743	221,743
General Reserve	26	164,840	40,335
Statutory Reserve	27	94,635	76,631
Revaluation Reserve	28	921,715	921,715
Regulatory Credit Risk Reserve	29	25,644	78,131
		-----	-----
<b>Available to Equity Holders of the Bank</b>		<b>2,971,244</b>	<b>2,881,222</b>
		-----	-----
<b>Total Liabilities and Equity</b>		<b>7,475,814</b>	<b>7,185,447</b>
		=====	=====


These financial statements were approved by the Board of Directors of the company on 31 July, 2015 and signed  
On its behalf by:



-----  
**Mr. 'Tony Ewelike**  
**Managing Director**  
FRC/2014/CIBN/00000008616



-----  
**Barr. Patrick C. Abuka**  
**Director**  
FRC/2014/NBA/00000008910



-----  
**Mrs. Anthonia Lloyd-Okere**  
**Chief Financial Officer**  
FRC/2014/ICAN/00000008792

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER, 2014

	Share Capital	Share Premium	Regulatory Credit		Statutory Reserve	General Reserves	Total
			Risk Reserve	Revaluation Reserve			
<b>Balance as at 1 January, 2013</b>	500,000	13,210	49,447	940,411	63,832	(4,098)	<b>1,562,802</b>
Profit for the year	-	-	-	-	12,799	51,197	63,996
Other comprehensive income	-	-	-	3,224	-	-	3,224
Disposal of investment	-	-	-	(20,133)	-	20,133	-
Transfer)	1,042,667	208,533	208,533	(1,787)	-	(26,897)	1,251,200
	-----	-----	-----	-----	-----	-----	-----
<b>Balance as at 31 December, 2013</b>	1,542,667	221,743	221,743	921,715	76,631	40,335	2,881,222
	=====	=====	=====	=====	=====	=====	=====
<b>Balance as at 1 January, 2014</b>	1,542,667	221,743	78,131	921,715	76,631	40,335	2,881,222
Profit for the year	-	-	-	-	18,004	72,018	90,022
Other comprehensive income	-	-	-	-	-	-	-
Transfers	-	(52,487)	-	-	52,487	-	-
	-----	-----	-----	-----	-----	-----	-----
<b>Balance as at 31 December, 2014</b>	1,542,667	221,743	25,644	921,715	94,635	164,840	2,971,244
	=====	=====	=====	=====	=====	=====	=====

## STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER, 2014

	Note	2014 N'000	2013 N'000
<b>Cash Flow from Operating Activities -</b>			
Interest and Other Incomes	30	687,794	624,354
Interest Payments	5	(249,495)	(183,107)
Cash Payments to Employees and Suppliers		(326,972)	(318,759)
Operating Profit before Changes in Operating Assets/Liabilities		-----	-----
		111,327	122,488
<b>Movement in Operating Assets and Liabilities</b>			
Mortgage and Other Loans and Advances		(496,349)	(449,467)
Other Assets		(273,794)	(31,419)
Customers' Deposits		57,170	81,029
Staff Pension		(10,087)	(6,102)
Other Liabilities		(42,338)	3,979
Information Technology Levy		(570)	(1,135)
		-----	-----
<b>Cash used in Operating Activities</b>		(654,641)	(280,627)
Income and Education Taxes Paid		(24,886)	(14,285)
		-----	-----
<b>Net Cash used in Operating Activities</b>		(679,527)	(294,912)
		-----	-----
<b>Cash Flow from Investing Activities</b>			
Purchase of Investments Properties		(828,540)	(156,149)
Purchase of Fixed Assets and intangible assets		(24,430)	(41,191)
Proceeds from realization of Government Securities		10,318	13,362
Proceeds from disposal of investment properties		-	206,500
Proceeds from disposal of Fixed Assets		3,978	9,195
Proceeds from disposal of investments		-	152,113
		-----	-----
<b>Net Cash used in Investing Activities</b>		(838,674)	183,830
		-----	-----
<b>Cash Flow from Financing Activities</b>			
Additional borrowing from FMBN less repayments	21	217,195	20,569
Deposits for Shares	26	-	801,800
		-----	-----
<b>Net cash inflow from financing activities</b>		217,195	822,369
		-----	-----
<b>Net (decrease)/increase in cash and cash equivalent</b>		(1,301,006)	711,287
<b>Cash and Cash Equivalent at beginning</b>		<u>1,859,113</u>	<u>1,147,826</u>
		-----	-----
<b>Cash and Cash Equivalent at end</b>		558,107	1,859,113
		-----	-----
<b>Cash and Short Term Funds</b>	10	326,520	109,353
<b>Due from Banks and Other Financial Institutions</b>	12	231,587	1,749,760
		-----	-----
<b>Cash and cash equivalent at end</b>	31	<u>558,107</u>	<u>1,859,113</u>
		=====	=====

## **1. Reporting entity**

AG Mortgage Bank Plc (the "Bank") is a Public Liability Company incorporated and domiciled in Nigeria. The Bank's registered office is 96, Opebi Road, Ikeja, Lagos. The Company was incorporated on 21 July, 2004 as a Public Liability Company limited by shares and commenced operations on 30 January, 2005. The company's principal activity is to carry out mortgage banking services in Nigeria.

## **2. Basis of preparation**

### **(A) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and in compliance with the requirements of the Financial Reporting Council Act No. 6 of 2011.

The financial statements were authorized for issue by the Board of Directors of AG Homes Savings and Loans Plc on 31 July, 2015.

### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss and investment properties measured at fair value.

### **(c) Use of estimates and judgments**

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

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

### **d) Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards when they become effective. The Bank expects the adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Bank's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it is likely to have an impact, the Bank is still assessing the possible impact.

### **IAS 19 Post employee benefits (Amendment)**

The amendments are effective for annual periods beginning on or after 1 January, 2015. Recognised in full (no more deferral mechanisms) and all actuarial gains and losses

The amendments are effective for annual periods beginning on or after 1 January, 2015. These are changes to post employee benefits in that pension surpluses and deficits are to be recognised in full (no more deferral mechanisms) and all actuarial gains and losses recognised in other comprehensive income as they occur with no recycling to profit or loss. Past service costs as a result of plan amendments are to be recognized immediately.

Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement.

### **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January, 2018. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Bank's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Bank is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Bank at the date of adoption, it is not practical to quantify the effect.

### **Early adoption of standards.**

The Bank did not early-adopt any other new or amended standards.

## **2. Significant accounting policies**

### **2.1 Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Nigeria Naira, which is the Bank's functional and presentation currency.



## **(B) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Monetary items denominated in foreign currency are translated at the closing rate as at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

All foreign exchange gains and losses recognised in the profit or loss are presented net within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

## **2.2 Financial assets and liabilities**

### **Date of recognition**

All financial assets and liabilities are initially recognised at the trade date, i.e., the date that the bank becomes a party to the contractual provisions of the instrument.

### **Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the purpose and the management's intention of acquiring the financial instruments and their characteristics.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

All financial assets and liabilities - have to be recognised in the statement of financial position and measured in accordance with their assigned category.

### **2.2.1 Financial assets**

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

#### **(a) Financial assets at fair value through profit or loss**

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Bank as at fair value through profit or loss.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial instruments included in this category are recognised initially at fair value; transaction costs

are taken directly to the profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively.

The Bank designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option).

**(b) 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:

- (i) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- (ii) those that the Bank upon initial recognition designates as available for sale; or
- (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs, and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers. Interest on loans is included in the statement of comprehensive income and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income as 'loan impairment charges'.

**(c) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, other than:

- i. those that the Bank upon initial recognition designates as at fair value through profit or loss;
- ii. those that the Bank designates available for sale; and
- iii. those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in the statement of comprehensive income and



reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income. Held-to-maturity investments are Government Securities.

### **2.2.2 Financial liabilities**

The Bank's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

#### **(A) Financial liabilities at fair value through profit or loss**

This category comprises two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statement of comprehensive income. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

#### **(b) Other liabilities measured at amortised cost**

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities etc.

### **2.2.3 Determination of fair value**

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on the Nigerian Stock Exchange.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry bank, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

#### **2.2.4 Derecognition of financial assets and financial liabilities**

##### **(i) Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay
- The received cash flows is in full without material delay to a third party under a 'pass-through' arrangement; and either;
- the bank has transferred substantially all the risks and rewards of the asset, or
- the bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the bank's continuing involvement in the asset. In that case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained.

##### **(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new

Liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

### **2.2.5 Reclassification of financial assets**

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

### **2.3 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### **2.4 Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

## **2.5 Fee and commission income**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities are recognised on completion of the underlying transaction.

## **2.6 Dividend income**

Dividends are recognised in the statement of comprehensive income in 'Dividend income' when the entity's right to receive payment is established.

## **2.7 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 only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (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 criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it becomes probable that the borrower will enter financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties;  
or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets,

although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- (i) adverse changes in the payment status of borrowers in the portfolio; and
- (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. 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 profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and 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 that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to customers are classified in loan impairment charges.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

## **2.8 Impairment of non-financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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 to sell, an appropriate valuation model is used.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.9 Cash and cash equivalents**

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with the central bank and amounts due from banks on demand or with an original maturity of three months or less.

## 2.10 Property and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	%
- Buildings	2
- Computers	20
- Furniture and Equipment	20
- Motor Vehicle	25
- Office Equipment	20
- Plant and Machinery	20
- Leasehold Improvement	20

The assets' residual values and useful lives are reviewed and prospectively adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Increases in the carrying amount arising on revaluation of buildings are credited to other comprehensive income and shown as Revaluation surplus in the shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against Revaluation surplus directly in equity; all other decreases are charged to the profit or loss.

Property and equipment is derecognised on disposal or when no future economic benefits are

expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

## **2.2 Income tax**

### **(a) Current income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### **(b) Deferred income tax**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is realised.

Deferred income tax is provided on temporary differences except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

## **2.3 Provisions**

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring



Provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## **2.4 Ordinary capital**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

## **2.5 Employee Benefits**

### **Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The company has a defined contribution scheme. The defined contribution scheme is funded by contributions from the company and employees. Funding under the scheme is 7.5% each by staff and the company based on annual basic salary, housing and transport allowances in line with the Pension Reform Act 2004.

Liabilities in respect of the defined contribution scheme are charged against the profit of the period in which they become payable. Payments are made to Pension Fund Administration Companies, who are appointed by respective staff of the Bank.

## **2.6 Investment in Associate**

An associate is an entity over which the company has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associate are accounted for by the equity method of accounting and are initially recognized at cost.

Intra group gains on transactions between the company and its associate are eliminated to the extent of the company's interest in the associate. Intra group losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## **2.7 Investment Properties**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment properties are land and buildings which are not occupied substantially for use in the operations of the Company. They are revalued periodically by external professional valuers.

The professional valuer holds the Financial Reporting Council (FRC) of Nigeria Registration Certificate.

## **3. FINANCIAL RISK MANAGEMENT**

### **3.1 Introduction**

AG Mortgage Bank Plc uses its financial skills to provide mortgage banking business to a broad range of customers.

Risk management is essential to help ensure business sustainability thereby providing customers and the shareholders with a long-term value proposition.

#### **Key elements of risk management are:**

- Strong corporate governance including relevant and reliable management information and internal control processes;
- Ensuring significant and relevant skills and services are available consistently to the company;
- Keeping abreast of technology and consumer trends and investing capital and resources where required.

The overall company focus within an appropriate risk framework is to give value to the customers through effective and efficient execution of trades.

The board of directors acknowledges its responsibility for establishing, monitoring and communicating appropriate risk and control policies.

### **3.2 Significant risks**

The Company has exposure to significant risks which are categorised as follows:

- Regulatory (capital adequacy, legal, accounting and taxation);
- Business environment (reputation and strategic);
- Operational (people, information technology and internal control processes);
- Market (equity prices, interest rate and currency);
- Liquidity; and
- Concentration.

### **3.3 Discussion of significant risks**

#### **3.3.1 Regulatory risk**

Regulatory risk is the risk arising from a change in regulations in any legal, taxation and accounting pronouncements or specific industry regulations that pertain to the business of the Company. In order to manage this risk, the Company is an active participant in industry and preferred bodies, such as The Chartered Institute of Bankers of Nigeria, and the Mortgage Bankers Association of Nigeria. (MBAN) and engages in discussions with policy makers and regulators.

##### **3.3.1.1 Regulatory capital risk**

Regulatory capital risk is the risk that the company does not have sufficient capital to meet either minimum regulatory or internal amounts.

Central Bank of Nigeria sets and monitors capital requirements for the Company. The Company is required to maintain a prescribed minimum level of risk adjusted capital of N100,000,000 calculated in accordance with such requirements as the Central Bank of Nigeria may from time to time prescribe.

#### **The company's objectives in managing capital are:**

- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for other stakeholders; and
- To provide an adequate return to the shareholder commensurately with the level of risk.

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2014</b>	<b>2013</b>
	N	N
Regulatory minimum capital requirement	5,000,000,000	100,000,000
Actual qualifying capital	2,890,022,000	2,890,022,000
	-----	-----
Actual capital ratio (times)	<b>59</b>	<b>29</b>
	-----	-----

The Central Bank has increased the minimum capital requirement of Primary Mortgage Institutions (PMIs) to N2.5billion for PMIs operating at state level and N5billion for nationwide operational licence with effect from April 2014. The bank has commenced the process of raising additional capital by way of offer of Private Placement of 5,000,000,000 ordinary shares of 50 kobo each at N0.60.

### **3.3.1.2 Legal risk**

Legal risk is the risk that the company will be exposed to contractual obligations which have not been provided for.

The company has a policy of ensuring all contractual obligations are documented and appropriately evidenced to agreements with the relevant parties to the contract.

All significant contracted claims are reviewed by independent legal resources and amounts are provided for if there is consensus as to any possible exposure. At 31 December 2014, the directors are not aware of any significant obligation not provided for.

### **3.3.1.3 Taxation risk**

Taxation risk is the risk of suffering a loss, financial or otherwise, as a result of an incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing products.

#### **Taxation risk occurs in the following key areas:**

- Transactional risk;
- Operational risk;
- Compliance risk; and
- Financial accounting risk.

#### **Transactional risk**

The risk which concerns specific transactions entered into by the company, including restructuring projects and re-organisations.

### **Operational risk**

The underlying risks of applying tax laws, regulations and decisions to the day-to-day business operations of the company.

### **Compliance risk**

The risk associated with meeting the company's statutory obligations.

### **Financial accounting risk**

The risk relates to the inadequacy of proper internal controls over financial reporting, including tax provisioning. In managing the company's taxation risk, the company's tax policy is as follows:

The company will fulfill its responsibilities under tax law in each of the jurisdictions in which it operates, whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the company may have in relation to company taxes, personal taxes, capital gains taxes, indirect taxes and tax administration.

#### **Compliance with this policy is aimed at ensuring that:**

- All taxes due by the company are correctly identified, calculated, paid and accounted for in accordance with the relevant tax legislation;
- The company continually reviews its existing operations and planned operations in this context; and
- The company ensures that, where clients participate in company products/services, these clients are either aware of the probable tax consequences, or are advised to consult with independent professionals to assess these consequences, or both.

The identification and management of tax risk is the primary objective of the company tax function, and this objective is achieved through the application of a formulated tax risk approach, which measures the fulfillment of tax responsibilities against the specific requirements of each category of tax to which the company is exposed, in the context of the various types of activities the company conducts.

#### **3.4.1.4 Accounting risk**

Accounting risk is the risk that the company fails to explain the current events of the business in the financial statements.

#### **Accounting risk can arise from the failure of management to:**

- Maintain proper books and records, accounting systems and to have proper accounting policies;
- Establish proper internal controls system;
- Prepare periodic financial statements that reflect an accurate financial position; and
- Be transparent and fully disclose all important and relevant matters.

Measures to control accounting risk are the use of proper accounting systems, books and records based on proper accounting policies as well as the establishment of proper internal accounting controls. Proposed accounting changes are researched by accounting resources, and if required external resources, to identify and advise on any material impact on the company.

Financial statements are prepared in a transparent manner that fully disclose all important and relevant matters as well as accurately reflecting the financial position, results and cash flows of the company.

### **3.5.1 Business environment**

#### **3.5.1.1 Reputational risk**

Reputational risk is the risk of loss caused by a decline in the reputation of the company or any of its specific business units from the perspective of its stakeholders, customers, staff, business partners or the general public.

Reputational risk can both cause and result from losses in all risk categories such as market or credit risk.

Customers expectations regarding service delivery is managed by regular communication and on-going reviews.

#### **3.5.1.2 Strategic risk**

Strategic risk is the risk of an unexpected negative change in the company value, arising from the adverse effect of executive decisions on both business strategies and their implementation.

This risk is a function of the compatibility between strategic goals, the business strategies developed to achieve those goals and the resources deployed to achieve those goals. Strategic risk also includes the ability of management to effectively analyse and react to external factors, which could impact the future direction of the relevant business unit.

### **3.5.2 Operational risk**

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure materially the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

### **3.5.3 Market risk**

Market risk includes asset liability matching risk, currency risk, interest rate risk and equity price risk.

### **Asset liability matching risk**

Asset liability mismatches and market risks are assessed by means of a number of stress tests each designed to examine a different component of market and mismatch risk.

Liquidity requirements and cash resources are reviewed on a monthly basis by the asset liability matching and capital management committees.

The company's assets are relatively liquid with placement, listed equities and cash being easily realisable.

The company is exposed to market risk through its financial assets and financial liabilities. The most important components of this risk are interest rate risk, market price risk and currency risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

### **Interest rate and market price risk**

These risks have very different impacts on the various categories of business used in the company's Assets and Liabilities Management framework. Interest rate and market price risk have been discussed together since they interact on certain types of liabilities.

#### **Interest rate risk**

Interest rate risk is the risk that the value and cash flow of a financial instrument will fluctuate due to changes in market interest rates.

#### **Equity price risk**

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Investments in all equities are valued at fair value and are therefore susceptible to market fluctuations.

#### **3.5.4 Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a loss to the other party by failing to discharge an obligation.

Key areas where the company is exposed to credit risk are:

- Certain classes of financial assets such as loan and advances, government securities, term deposits and cash and cash equivalents

#### **Financial assets**

Various debt instruments are entered into by the company in order to invest surplus shareholder funds. The company is exposed to the issuer's credit standing on these instruments. Exposure to

## NOTES TO THE FINANCIAL STATEMENTS

outside financial institutions concerning financial instruments is monitored in accordance with parameters which have been approved by the company's Audit Committee and the company's board as mandated by the board of AG Homes Savings & Loans Plc.

Funds. The company is exposed to the issuer's credit standing on these instruments. Exposure to outside financial institutions concerning financial instruments is monitored in accordance with parameters which have been approved by the company's Audit Committee and the company's board as mandated by the board of AG Homes Savings & Loans Plc.

### **Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

AG Homes Savings & Loans Plc is a registered financial service company and is required to hold minimum liquid capital. Central Bank of Nigeria is the regulatory authority that regularly reviews compliance with these minimum capital requirements.



**NOTES TO THE FINANCIAL STATEMENTS**

	<b>31 Dec, 2014</b> <b>N000</b>	<b>31 Dec, 2013</b> <b>N000</b>
<b>4. Interest Income</b>		
<b>Analysis by Nature:</b>		
Interest on term loans and overdrafts	<b>417,406</b>	390,125
Interest on mortgage loans	<b>31,526</b>	34,560
Interest on placements	<b>172,832</b>	133,584
Interest on staff loan	<b>17</b>	59
	-----	-----
	<b>621,781</b>	558,328
	=====	=====
<b>4.1 Analysis by Source:</b>		
Interest income mortgage sources	<b>448,932</b>	424,685
Interest income non mortgage sources	<b>172,832</b>	133,584
Interest income staff loan	<b>17</b>	59
	-----	-----
	<b>621,781</b>	558,328
	=====	=====
<b>5. Interest Expenses</b>		
Savings accounts	<b>13,881</b>	11,170
Fixed deposit	<b>172,096</b>	106,942
FMBN Loan	<b>63,518</b>	64,995
	-----	-----
	<b>249,495</b>	183,107
	=====	=====
	<b>31 Dec, 2014</b> <b>N000</b>	<b>31 Dec, 2013</b> <b>N000</b>
<b>5.1 Analysis by Sources</b>		
Interest expenses mortgage sources	<b>185,977</b>	86,375
Interest expenses non-mortgage sources	<b>63,518</b>	96,732
	-----	-----
	<b>249,495</b>	<b>183,107</b>
	=====	=====
	<b>31 Dec, 2014</b> <b>N000</b>	<b>31 Dec, 2013</b> <b>N000</b>
<b>6. Other Income -Net Fees and Commissions</b>		
Commissions	<b>16,376</b>	23,486
Fees	<b>13,501</b>	8,374
	-----	-----
<b>Net Fees &amp; Commission Income</b>	<b>29,877</b>	31,860
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**

**6.1 Analysis by sources**

Credit related commission	<b>13,501</b>	8,374
Commission on turnover	<b>14,985</b>	21,900
Non credit related commission	<b>1,391</b>	1,586

-----	-----
<b>29,877</b>	31,860
=====	=====

**7. Operating Expenses**

Staff cost (note 7.1)	<b>147,755</b>	135,419
Office Expenses	<b>40,842</b>	30,978
Motor Vehicle Operating and Maintenance	<b>17,262</b>	16,069
Repairs and Maintenance of Equipment	<b>16,172</b>	16,198
Rent	<b>14,550</b>	14,354
Travelling	<b>13,085</b>	13,229
Entertainment	<b>11,768</b>	5,057
Other Professional Fees	<b>10,763</b>	20,359
Hotel& Accommodation	<b>9,590</b>	7,840
NDIC Premium	<b>8,000</b>	4,500
Security Expenses	<b>8,170</b>	8,257
Staff Training	<b>7,542</b>	5,847
Advertisement & Business Promotion	<b>5,799</b>	7,762
Postage Telephone & Telex	<b>5,762</b>	5,956
Audit Fee	<b>5,000</b>	5,000
Insurance	<b>3,295</b>	4,756
Subscription	<b>3,400</b>	2,510
Water & Electricity	<b>2,818</b>	2,918
Printing & Stationery	<b>2,379</b>	2,831
Bank charges	<b>1,816</b>	7,568
Newspaper & Periodicals	<b>138</b>	555
Medical	<b>30</b>	446
Penalty	<b>80</b>	350

-----	-----
<b>336,016</b>	318,759
=====	=====

<b>31 Dec, 2014</b>	<b>31 Dec, 2013</b>
<b>N000</b>	<b>N000</b>

**7.1 Staff Costs**

Staff costs (including directors) comprise:

Wages and Salaries	<b>142,944</b>	131,517
Defined Contribution pension cost	<b>4,811</b>	3,902

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<b>147,755</b>	135,419

=====	=====
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**NOTES TO THE FINANCIAL STATEMENTS**

**8. Depreciation and amortisation charges**

Depreciation	<b>37,167</b>	24,491
Amortisation	<u>1,915</u>	<u>1,259</u>
	<b>39,082</b>	25,750
	=====	=====

**9. Other Operating Income**

Profit on disposal of assets	<b>259</b>	1,681
Profit on Disposal of investment	-	31,684
Commission	<b>1,179</b>	160
Income on Real Estate Investment	<b>34,974</b>	34,065
	-----	-----
	<b>36,412</b>	67,590
	=====	=====

**10. Cash and Cash Equivalent**

Cash	<b>35,177</b>	33,620
Balances with Banks & Other Financial Institutions	<b>291,343</b>	75,733
	-----	-----
	<b>326,520</b>	109,353
	=====	=====

**11. Government Securities**

Treasury bills: - Held to maturity	-	10,318
	=====	=====

**12. Due from other banks**

Placement with Banks	<b>231,587</b>	1,749,760
	=====	=====

**31 Dec, 2014**  
**N000**

**31 Dec, 2013**  
**N000**

**13. Mortgage, Other Loans and Advances**

Loans and Advances	<b>3,331,115</b>	2,795,687
Provision for impairment	<b>(222,569)</b>	(205,783)
	-----	-----
	<b>3,108,546</b>	2,589,904
	-----	-----

**13.1 Provision for Impairment**

As at January	<b>135,118</b>	83,671
Additions for the year	<u>(22,293)</u>	<u>51,447</u>
As at December	<b>112,825</b>	135,118
Interest in suspense	109,745	70,665
	-----	-----
	<b>222,569</b>	205,783
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**

**13.2 Analysis by Security**

Secured against real estate	<b>1,900,117</b>	1,524,369
Otherwise secured	<b>1,428,787</b>	1,267,694
Unsecured	<b>2,211</b>	3,624
	-----	-----
	<b>3,331,115</b>	2,795,687
	=====	=====

**13.3 Analysis by Type:**

Mortgage loans	<b>1,900,117</b>	1,524,369
Other advances	<b>1,430,998</b>	1,271,318
	-----	-----
	<b>3,331,115</b>	2,795,687
	=====	=====

**13.4 Analysis by Maturity**

Under 1 month	-	-
3 to 6 months	<b>276,483</b>	229,886
6 to 12 months	<b>1,508,995</b>	1,267,694
Over 12 months	<b>1,545,637</b>	1,298,107
	-----	-----
	<b>3,331,115</b>	2,795,687
	=====	=====

**31 Dec, 2014**  
**N000**

**31 Dec, 2013**  
**N000**

**13.5 Analysis by performance**

Performing	<b>1,849,065</b>	1,875,539
Watchlist	<b>679,285</b>	95,660
Substandard	<b>474,520</b>	645,726
Doubtful	<b>195,212</b>	130,648
Very doubtful	<b>32,869</b>	-
Lost	<b>100,164</b>	48,114
	-----	-----
	<b>3,331,115</b>	<b>2,795,687</b>
	=====	=====

**14. Investment Securities- available for sale**

Equity securities: Listed	<b>50,734</b>	<b>50,734</b>
	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS**

**14.1 Movement in investment securities**

At beginning of year	<b>50,734</b>	167,588
Value of asset disposed cost	-	(98,509)
Fair value gain	-	(21,920)
At end of year	<b>50,734</b>	47,159
Fair value gain	-	3,575
	<b>50,734</b>	<b>50,734</b>

**15. Investments in Associate Company**

At beginning of year	<b>74,541</b>	70,365
Share of profit of associate	<b>(912)</b>	4,176
At end of year	<b>73,629</b>	<b>74,541</b>

The bank holds 30% interest in Evangel Properties Limited, a property development company based in Lagos. This investment is accounted for using equity method as stipulated by International Accounting Standard (IAS) 28 Investment in Associate.

	<b>31 Dec, 2014</b>	<b>31 Dec, 2013</b>
	<b>N000</b>	<b>N000</b>
<b>16. Other Assets</b>		
Accrued interest receivable	<b>132,791</b>	130,363
Other prepayments	<b>23,374</b>	13,799
Inter branch account system	<b>10,188</b>	737
Head office inter branch	<b>102,827</b>	59,622
Deposit with branches	-	35,136
NHF repayments	<b>8,917</b>	14,354
Bank Charges	<b>7,089</b>	7,089
Interest receivables- mortgage loans	<b>21,134</b>	14,127
Share offer expenses (16.1)	<b>23,879</b>	19,520
Other investments	<b>5,529</b>	5,529
Due to Evangel properties	<b>238,340</b>	-
	<b>574,068</b>	300,276

16.1 The balance on the share offer expenses is in respect of expenses incurred on the private placement of the bank in 2014. The expenses will be charged upon the completion of the private placement.

**17. Investment Properties**

At 1 January	<b>1,606,140</b>	2,206,493
Additions	<b>828,540</b>	156,497
Fair value adjustment (note 29)	-	(350)
Disposal/transfer	-	(756,500)
<b>At 31 December</b>	<b>2,434,680</b>	1,606,140

**NOTES TO THE FINANCIAL STATEMENTS**

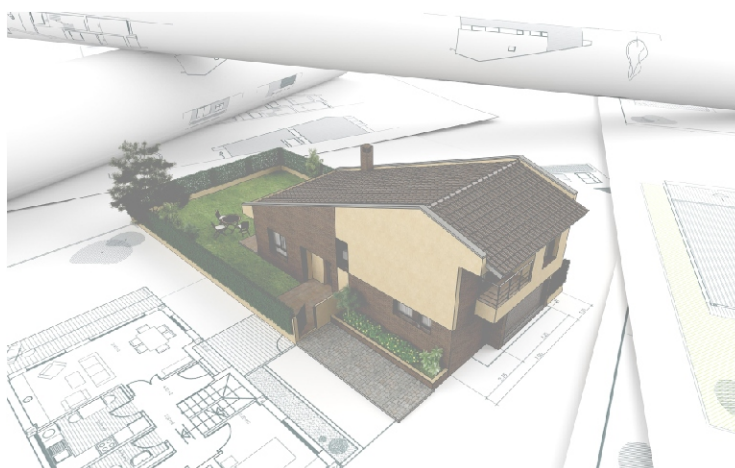
Investment properties are revalued periodically and the last revaluation was done in September, 2012. The details of investments properties and their carrying amounts as at 31 December, 2014 is stated Below: -

	<b>Carrying amount as at 1 January N</b>	<b>Addition N</b>	<b>Carrying amount as at 31/12/2014 N</b>
River view Estate Isheri North Lagos	20,119,999	750,000	200,869,999
Plot 14 & 15 extension, Trans Ekulu			
Pocket layout Enugu North LGA, Enugu State	366,818,000	78,163,603	444,981,605
Ogbeke Ibagwa Estate Enugu LGA ,Enugu State	204,870,951	51,815,138	256,686,089
Plot of land at Ajiran Lekki, Eti-Osa LGA, Lagos	324,000,000	-	324,000,000
Evangel Estate Ofada, Papalanto Road	413,278,546	48,625,648	461,904,194
Evangel Estate Ikorodu	42,060,000	15,000	42,075,000
Satelite properties	15,000,000	-	15,000,000
CBN Properties Lagos	27,930,827	-	27,930,827
Ajao Estate	12,062,100	-	12,062,100
Plot 1130 Chikakore Kubwa Layout Abuja	-	141,984,000	141,984,000
Plot 1132 Chikakore Kubwa layout Abuja	-	153,093,000	153,093,000
Plot 1131 Chikakore Kubwa layout Abuja	-	151,093,000	151,093,000
Plot 1038 A Close Gwarinpa II Estate Abuja	-	76,000,000	76,000,000
Cooperative Garden City Lugbe Abuja	-	<u>127,000,000</u>	<u>127,000,000</u>
	<u>1,606,140,423</u>	<u>828,539,391</u>	<u>2,434,679,814</u>
	=====	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**

**18. Property, Plant and Equipment**

	Leasehold Improvement	Land and Buildings	Plant and Machinery	Office Equipment and Computers	Furniture and Fittings	Motor Vehicles	Total
Cost/Valuation	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January, 2014	34,916	593,491	18,442	23,752	48,494	85,468	804,563
Additions	2,055	5,000	3,652	1,410	1,408	9,905	23,430
Adjustment/Disposal	-	-	-	-	-	(4,250)	(4,250)
At 31/12/2014	36,971	598,491	22,094	25,162	49,902	91,123	823,743
<b>Accumulated depreciation</b>							
At 1 January, 2014	25,911	5,060	13,985	16,904	37,899	48,063	147,822
Charge for the year	2,616	11,961	899	2,554	3,545	15,592	37,167
Disposal	-	-	-	-	-	(531)	(531)
At 31/12/2014	<b>28,527</b>	<b>17,021</b>	<b>14,884</b>	<b>19,458</b>	<b>41,444</b>	<b>63,124</b>	<b>184,458</b>
<b>Net Book Value:</b>							
At 31 December, 2014	<b>8,444</b>	<b>581,470</b>	<b>7,210</b>	<b>5,704</b>	<b>8,458</b>	<b>27,999</b>	<b>639,285</b>
At 31 December, 2013	<b>9,005</b>	<b>588,431</b>	<b>4,457</b>	<b>6,848</b>	<b>10,595</b>	<b>37,405</b>	<b>656,741</b>



**NOTES TO THE FINANCIAL STATEMENTS**

	31 Dec, 2014 N000	31 Dec, 2013 N000
<b>19. Intangible Assets Purchased computer software</b>		
<b>Cost</b>		
At beginning of year	13,907	11,808
Additions	1,000	2,099
	-----	-----
<b>At end of the year</b>	<b>14,907</b>	13,907
	=====	=====
<b>Amortization</b>		
At beginning of year	6,849	5,590
Charged for the year	1,915	1,259
	-----	-----
At end of the year	8,764	6,849
	=====	=====
<b>Net book value</b>	<b>6,143</b>	7,058
	=====	=====
<b>20. Customers' Deposits</b>		
<i>Analysis by Category</i>		
Current	445,473	594,015
Savings	336,222	331,120
Time	1,026,392	825,782
	-----	-----
	<b>1,808,087</b>	1,750,917
	=====	=====
<b>Analysis by Maturity</b>		
Under 1 month	781,695	925,135
1 - 3 Months	-	-
3 - 6 Months	-	-
6 - 12 Months	1,026,392	825,782
Over 12 Months	-	-
	-----	-----
	<b>1,808,087</b>	1,750,917
	=====	=====



**NOTES TO THE FINANCIAL STATEMENTS**

	<b>31 Dec, 2014</b> <b>N000</b>	<b>31 Dec, 2013</b> <b>N000</b>
<b>21. Borrowings from FMBN</b>		
At beginning of year/period	<b>1,504,971</b>	1,484,402
Addition	<b>254,601</b>	67,450
Repayments	<b>(37,406)</b>	(46,881)
	<b>1,722,166</b>	<b>1,504,971</b>
	=====	=====

Amount represents long term loan secured from the Federal Mortgage Bank of Nigeria (FMBN) for onward disbursement to customers under the National Housing Scheme.

**22. Taxation**

**22.1 For the year**

***Current Taxation***

Income tax charge	<b>10,190</b>	12,755
Education tax	<b>2,142</b>	2,191
	<b>12,332</b>	14,946
	=====	=====

***Deferred tax***

Liabilities (note 22.4)	<b>(18,345)</b>	33,742
Assets (note 22.5)	<b>-</b>	(30,622)
	<b>(18,345)</b>	3,120
	=====	=====

**22.2** The tax charged on the profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate. This is explained as follows: -

	<b>31 Dec, 2014</b> <b>N000</b>	<b>31 Dec, 2013</b> <b>N000</b>
Profit before tax	<b>84,009</b>	<b>82,062</b>
	=====	=====
Tax calculated at the statutory rate of 32%	<b>26,883</b>	26,260
Tax effect of:		
Disallowable expenses	<b>39,162</b>	10,143
Capital allowances	<b>(53,713)</b>	(21,457)
<b>Tax expense</b>	<b>12,332</b>	<b>14,946</b>
	=====	=====
<b>Effective tax rate</b>	<b>15%</b>	<b>18%</b>
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**

**22.3 Statement of Financial Position**

Balance brought forward	<b>54,843</b>	54,182
Based on the profit the year	<b>12,332</b>	14,946
Paid during the year	<b>(24,866)</b>	(14,285)

-----	<b>42,309</b>	<b>54,843</b>
=====	=====	=====

**22.4 Deferred Tax Liabilities**

Balance brought forward	<b>45,243</b>	11,501
(Released)/charged during the year (note 22.1)	<b>(18,345)</b>	33,742

-----	<b>26,898</b>	<b>45,243</b>
=====	=====	=====

**22.5 Deferred tax assets**

Balance brought forward	<b>30,622</b>	-
Arising during the year (note 22.1)	-	<u>30,622</u>
	<b>30,622</b>	<b>30,622</b>

=====	=====	=====
-------	-------	-------

<b>31 Dec, 2014</b>	<b>31 Dec, 2013</b>
<b>N000</b>	<b>N000</b>

**23. Other Liabilities**

Accounts payable	<b>5,658</b>	21,931
Interest accrued	-	30,918
Unidentified deposit	<b>5,437</b>	5,883
Provision for infrastructures	<b>19,651</b>	19,604
Deposit for real estate	<b>37,610</b>	36,426
Statutory deductions	<b>21,000</b>	15,066
Information Technology Levy (note 23.1)	<b>3,993</b>	3,714
Pension (23.2)	<b>4,668</b>	5,133
Cash overage	<b>15</b>	15
Others	<b>5,041</b>	7,524
Deposit for shares (23.3)	<b>802,037</b>	802,037

-----	<b>905,110</b>	948,251
=====	=====	=====

**23.1 Information Technology Levy**

At start of the year	<b>3,714</b>	4,020
Additions	<b>849</b>	829
Payment	<b>(570)</b>	(1,135)
	<b>3,993</b>	<b>3,714</b>

=====	=====	=====
-------	-------	-------

**NOTES TO THE FINANCIAL STATEMENTS**

The Nigerian Information Technology Development Agency (NITDA) Act was signed into law on 24 April, 2007. Section 12(2a) of the Act stipulates that specified companies contribute 1% of profit before tax to the Nigerian Information Technology Development Agency.

**23.2 Pension**

**Movement in the defined contribution**

**liability recognised in the balance sheet:**

At start of year	<b>5,133</b>	3,431
Charge to income statement:		
Employees	<b>4,811</b>	3,902
Employer	<b>4,811</b>	3,902
Contributions remitted	<b>(10,087)</b>	(6,102)
	-----	-----
At end of year	<b>4,668</b>	5,133
	=====	=====

**23.3 Deposit for shares**

At start of year	802,037	1,251,437
Additional deposit	-	801,800
Allotted during the year	-	<u>(1,251,200)</u>
	802,037	802,037
	=====	=====

**24. Authorized Share Capital**

	<b>31 December, 2014</b>	<b>31 March, 2013</b>
	<b>N'000</b>	<b>N'000</b>
10,000,000,000 Ordinary Shares of 50k each	<b>5,000,000</b>	<b>5,000,000</b>
	=====	=====
<b>Issued and fully paid</b>		
At start of year	<b>1,542,667</b>	500,000
Issued during the year (24.1)	-	<u>1,042,667</u>
3,085,333,334 ordinary shares of 50k each	<b>1,542,667</b>	1,542,667
	=====	=====

24.1 During the year, SEC approved the subscription of 2,085,333,334 ordinary shares of 50k each in the company amounting to N1,042,666,667. As a consequence of this approval, the allotment of 2,100,000,000 stated to have been filed with SEC for approval and included in the share capital of the company in 2013 was stated in error. This has now been corrected in 2014 and re-stated in 2013 in line with the provisions of IAS 8 paragraph 42 (a).

The un-subscribed 14,666,666 ordinary shares of N0.50 each issued at a premium of 10 kobo amounting to N8,800,000 has also been deducted from share capital and share premium and added to Deposit for shares as follows: -

Share capital	(7,333,334)
Share premium	(1,466,666)
Deposit for shares	8,000,000
	=====

**NOTES TO THE FINANCIAL STATEMENTS**

**25. Share Premium**

At start of year	<b>221,743</b>	13,210
Transfer during the year	<u>-</u>	<u>208,533</u>
At 31 December	<b>221,743</b>	221,743
	=====	=====

**26. General Reserve**

At beginning of year	<b>40,335</b>	(4,098)
Transfer from continued operations	<b>72,018</b>	51,197
Transfer from regulatory risk reserve	<b>52,487</b>	(28,684)
Transfer from revaluation reserve (note 29) disposal of investment	-	21,920
	-----	-----
At end of year/period	<b>164,840</b>	40,335
	=====	=====

27.

**Statutory Reserve**

At start of year	<b>76,631</b>	63,832
Additions during the year	<b>18,004</b>	12,799
	-----	-----
At end of year	<b>94,635</b>	76,631
	=====	=====

Transfer to statutory reserve is made at 20% of profit after tax in line with prudential Guidelines issued by the Central Bank of Nigeria (CBN).

**28. Revaluation reserve**

	<b>Investment Properties</b>	<b>Available for sale investment securities</b>	<b>Associate company</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
As at 31 December	874,021	1,787	45,907	921,715
	=====	=====	=====	=====

	<b>31 Dec, 2014 N000</b>	<b>31 Dec, 2013 N000</b>
<b>28.1 Revaluation reserve</b>		
At 1 January	<b>921,715</b>	940,411
Fair value adjustment		
-On investment securities (note 14.1)	-	3,574
-On investment property (note 17)	-	(350)
Disposal of investment (note 27)	<u>-</u>	<u>(21,920)</u>
	<b>921,715</b>	921,715
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**

**29. Regulatory Credit Risk Reserve**

Balance brought forward	<b>78,131</b>	49,447
Movement	<b>(52,487)</b>	28,684
	-----	-----
	<b>25,644</b>	<b>78,131</b>
	=====	

=====

**30. Cash flow reconciliation**

Interest and other income is reconciled to the cash flow statement as follows:-

Interest Income	<b>621,781</b>	558,328
Net fees and commissions	<b>29,877</b>	31,860
Other operating incomes	<b>36,412</b>	67,590
	-----	-----
Gross earnings	<b>688,070</b>	<b>657,778</b>
Interest on staff loan	<b>(17)</b>	(59)
Profit on disposal of investments	-	(31,684)
Profit on disposal of fixed assets	<b>(259)</b>	<b>(1,681)</b>
<b>Per cash flow statement</b>	<b>687,794</b>	<b>624,354</b>
	=====	=====

**31. Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash and cash equivalents include cash and non-restricted balances with central banks, eligible treasury bills, operating account balances with other banks, amount due from other banks and short-term government securities

Cash and balances with other banks	<b>326,521</b>	109,353
Other banks	<b>231,587</b>	1,749,760
	-----	-----
	<b>558,107</b>	<b>1,859,113</b>
	=====	=====

**31 Dec, 2014  
N000**

**31 Dec, 2013  
N000**

**32. Directors' emoluments**

Fees	<b>900</b>	1,100
Sitting Allowance	<b>13,915</b>	10,453
Other emoluments	<b>30,775</b>	31,042
	-----	-----
	<b>45,590</b>	<b>42,595</b>
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**

Chairman	<b>1,520</b> =====	<b>1,520</b> =====
Highest paid director	<b>17,021</b> =====	<b>17,118</b> =====

The number of Directors excluding the Chairman whose emoluments were within the following ranges were

	<b>31 Dec, 2014</b>	<b>31 Dec, 2013</b>
	<b>Number</b>	<b>Number</b>
500,000 - 1,000,000	<b>1</b>	-
1,000,001 - 1,200,000	-	1
1,200,001 - 1,400,000	<b>1</b>	1
3,000,000- 5,000,000	<b>1</b>	1
11,900,001 - 32,000,000	<b>2</b>	2
	-----	-----
	<b>5</b>	<b>5</b>
	-----	-----

Employees Remuneration at higher rates and staff costs

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

120,001 - 200,000	-	4
200,001 - 250,000	-	6
250,001 - 300,000	-	3
300,001 - 400,000	<b>10</b>	3
400,001 - 500,000	<b>2</b>	12
500,001 - 750,000	<b>13</b>	20
750,001 - 1,000,000	<b>15</b>	3
1,000,001 - 1,150,000	<b>3</b>	3
1,150,001 and above	<b>25</b>	12
	-----	-----
	<b>68</b>	<b>66</b>
	=====	=====

**31 Dec, 2014**  
**N000**

**31 Dec, 2013**  
**N000**

The average number of persons employed during the year was as follows

Managerial	<b>15</b>	15
Senior	<b>23</b>	21
Junior	<b>30</b>	30
	-----	-----
	<b>68</b>	<b>66</b>
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**

**33. Earnings Per Share**

Net profit attributable to shareholders (N'000)	<b>72,018</b>	51,197
Number of ordinary share in issue as at year end (thousands)	<b>3,100,000</b>	3,100,000
Time weighted average number of ordinary shares in issue (thousands)	<b><u>3,100,000</u></b>	<u>3,100,000</u>
Basic Earnings Per Share (kobo)	<b>2.3</b>	2
	=====	=====

**34. Guarantees and Other Financial Commitments**

The Directors are of the opinion that there are no known commitments and liabilities which are relevant in assessing the state of affairs of the company during the period under review.

**35. Contravention**

The company did not contravene any aspects of the Central Bank of Nigeria rules, regulations and guidelines during the period and no penalty was paid.

**36. Contingent Liabilities**

The Directors are of the opinion that there are no known contingent liabilities as at the end of the period.

**37. Related Party Transactions**

The company has related party transactions where one or more of its directors are also directors of company whose facilities were outstanding at year end. Such loans are secured and has the same Interest rate as mortgage loans. This is detailed as follows:-

Type of loan	<b>Outstanding balance</b>	
	<b>2014</b>	<b>2013</b>
	N	N
Mortgage loan	<b>50,858</b>	37,785
	=====	=====

**38. Foreign Currency Transactions**

The company has no transaction denominated in foreign currency within the reporting period.

**39. Comparative figures**

Certain prior year balances have been reclassified to conform with current year presentation format.

**40. Approval of financial statements**

These financial statements were approved by the Board of Directors on 31 July, 2015.

## STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER, 2014

	2014 N'000	%	2013 N'000	%
Gross earnings	688,070		663,473	
Other Comprehensive income	-		(350)	
Interest expenses	<u>(249,495)</u>		<u>(183,107)</u>	
	438,575		480,016	
Overhead and payment for other services	<u>(166,880)</u>		<u>(235,956)</u>	
Value added	271,695	100	244,060	100
	=====	===	=====	===
<b>Applied as follows:</b>				
<i>In payments to employees:</i>				
Salaries and benefits	147,755	54	135,419	56
<i>In payment to Government</i>				
Current taxation	12,332	5	14,946	6
ITDF	849	-	829	-
<i>Retained for future maintenance of assets and expansion of business:</i>				
Deferred taxation	(18,345)	(6)	3,120	1
Depreciation and amortization	39,082	14	25,750	11
Statutory reserves	18,004	7	12,799	5
Profit retained for the year	<u>72,018</u>	<u>26</u>	<u>51,197</u>	<u>21</u>
Value added	271,695	100	244,060	100
	=====	===	=====	===



**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER, 2014

	IFRS 31 Dec 2014 N'000	IFRS 31 Dec 2013 N'000	IFRS 31 Dec 2012 N'000	IFRS 31 March 2012 N'000	IFRS 31 March 2011 N'000
<b>Assets</b>					
Cash and Short Term Funds	326,520	109,353	129,306	268,641	386,016
Government securities	-	10,318	23,680	49,993	-
Due from other Banks	231,587	1,749,760	1,018,520	1,129,171	622,990
Loans and Advances	3,108,546	2,589,904	2,191,884	1,423,412	677,467
Investments	50,734	50,734	167,588	121,884	147,145
Investment in Associate	73,629	74,541	70,365	25,375	26,953
Other Assets	574,068	300,276	268,857	155,023	71,028
Investment properties	2,434,680	1,606,140	2,206,493	399,023	377,860
Deferred tax asset	30,622	30,622	-	-	-
Property and equipment	639,285	656,741	92,140	58,699	72,430
Intangible assets	6,143	7,058	6,218	11	11
	<u>7,475,814</u>	<u>7,185,447</u>	<u>6,175,051</u>	<u>3,631,232</u>	<u>2,381,900</u>
	=====	=====	=====	=====	=====
<b>Liabilities</b>					
Deposit and other accounts	1,808,087	1,750,917	1,669,888	1,899,397	1,626,642
Borrowings from FMBN	1,722,166	1,504,971	1,484,402	1,001,792	102,820
Income tax	42,309	54,843	54,182	29,486	33,210
Deferred tax liabilities	26,898	45,243	11,501	6,235	4,943
Other liabilities	905,110	948,251	140,839	122,829	179,207
	<u>4,504,570</u>	<u>4,304,225</u>	<u>3,360,812</u>	<u>3,059,739</u>	<u>1,946,822</u>
	-----	-----	-----	-----	-----
<b>Capital and reserves</b>					
Share capital	1,542,667	1,542,667	500,000	500,000	500,000
Share premium	221,743	221,743	13,210	13,210	13,210
Deposit for shares	-	-	1,251,437	1,437	1,437
General reserves	164,840	40,335	(4,098)	(36,977)	(107,458)
Statutory reserves	94,635	76,631	63,832	53,365	22,919
Revaluation reserve	921,715	921,715	940,411	(25,261)	-
Regulatory credit risk reserve	25,644	78,131	49,447	65,719	4,970
	<u>2,971,244</u>	<u>2,881,222</u>	<u>2,814,239</u>	<u>571,493</u>	<u>435,078</u>
	-----	-----	-----	-----	-----
	<u>7,475,814</u>	<u>7,185,447</u>	<u>6,175,051</u>	<u>3,631,232</u>	<u>2,381,900</u>
	=====	=====	=====	=====	=====
<b>Profit and loss account</b>					
Gross earnings	688,070	657,778	513,270	567,548	396,908
Net interest margin	372,286	375,221	269,660	298,014	173,001
Profit before taxation	84,858	82,891	70,913	154,974	18,888
Exceptional item	-	-	-	-	-
Taxation	5,164	(18,066)	(43,839)	(1,193)	(1,332)
Transfer to statutory reserve	(18,004)	(12,799)	(10,467)	(30,446)	-
Other comprehensive income	-	3,224	965,672	(25,261)	-
Profit after tax and comp. income	<u>72,018</u>	<u>51,197</u>	<u>982,279</u>	<u>96,524</u>	<u>17,556</u>
	=====	=====	=====	=====	=====
<b>Per share information</b>					
Basic earnings per share (kobo)	3k	2k	3k	15k	1.8k
	=====	=====	=====	=====	=====
Net asset per share (kobo)	96k	93k	281k	57k	43k
	=====	=====	=====	=====	=====
<b>Diluted:</b> Earnings per share (kobo)	3k	2k	1k	3k	1k
Net asset per share (kobo)	96k	93k	91k	18k	14k
	=====	=====	=====	=====	=====

Basic earnings per share is calculated based on profit after tax and the number of issued shares at the end of each financial year.

Net asset per share is based on the number of issued shares at the end of each financial year.

**PROXY FORM**

**10TH ANNUAL GENERAL MEETING TO BE HELD AT 11.00 A.M.  
ON THURSDAY, THE 3RD DAY OF DECEMBER 2015 AT RENAISSANCE HOTEL,  
172, OBAFEMI AWOLOWO WAY, ALAUSA, IKEJA, LAGOS STATE.**

I/WE \_\_\_\_\_  
(Name of shareholder in block letters)

Being a member/members of the above named company, hereby appoint:

\_\_\_\_\_ or failing him, the Chairman of the meeting as my/our proxy to act and vote for me/us and on my/our behalf at the 10th Annual General Meeting of the company to be held on 3rd December, 2015 and at any adjourned date thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Shareholder's Signature \_\_\_\_\_

**IF YOU ARE UNABLE TO ATTEND THE MEETING**

A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The above proxy form has been prepared to enable you exercise your right to vote, in case you cannot personally attend the meeting.

Please sign this proxy form and forward it so as to reach the office of the Secretary, 96 Opebi Road, Ikeja, Lagos, not later than 48 hours before the time fixed for the meeting. If executed by a Corporation, the proxy form should be duly executed by the appointor.

It is a requirement of the law under the Stamp Duties Act CAP S8, Laws of the Federation of Nigeria, 2004 that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must be stamped by the Commissioner for Stamp Duties.

**The proxy must produce the Admission Card below to obtain entrance to the meeting.**

**AG HOMES SAVINGS & LOANS PLC  
10<sup>TH</sup> ANNUAL GENERAL MEETING  
ADMISSION CARD**

Please admit the shareholder named on this card or his duly appointed proxy to the 10<sup>th</sup> Annual General Meeting of the Company to be held on 3<sup>rd</sup> December, at Renaissance Hotel, Awolowo Way, Alausa Ikeja, Lagos State.

This admission card must be presented By the shareholder in order to obtain entrance to the Annual General Meeting

<b>The manner in which the proxy is to vote should be indicated by inserting "X" in the appropriate box space.</b>			
Number of Shares			
ORDINARY RESOLUTIONS		FOR	AGAINST
1	That the audited financial statements of the Company for the year ended 31 <sup>st</sup> December 2013 and the reports of the Directors and Auditors thereon and the Audit Committee Reports	.....	.....
2	To re-elect as a Director: 1.Barr Danjuma Suleman	.....	.....
3	That the appointment of the independent auditors, Baker Tilly Nigeria, for the 2014 financial year be renewed and that the Directors be authorized to fix the remuneration of the Auditors	.....	.....
4	That members of the Audit Committee be re-elected for the year 2015	.....	.....
5	To declare a dividend	.....	.....
<b>Please indicate with an "X" how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, your proxy will vote or abstain from voting at his discretion</b>			

\_\_\_\_\_  
Name of Shareholder

\_\_\_\_\_  
Name of Proxy

\_\_\_\_\_  
Number of shares held

\_\_\_\_\_  
Signature



**MORTGAGE  
BANK PLC**

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