Base Shelf Prospectus dated July 29, 2015

NMRC
Nigeria Mortgage Refinance Company

NIGERIA MORTGAGE REFINANCE COMPANY PLC

RC: 1123944

₦140,000,000,000 MEDIUM TERM NOTE PROGRAMME

BASE SHELF PROSPECTUS

Under the Medium Term Note Programme described in this Base Shelf Prospectus (the "Programme"), Nigeria Mortgage Refinance Company Plc (the "Issuer" or "NMRC"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt securities (the "Bonds"). The aggregate nominal amount of Bonds outstanding will not at any time exceed ₦140,000,000,000.

The Issuer will advance the proceeds of each issue of the Bonds to refinance eligible mortgage loans of its member mortgage lending banks subject to the terms and conditions of the applicable transaction documents. The Bonds issued under the Programme will be guaranteed by the Federal Government of Nigeria in accordance with the terms specified in the Deed of Guarantee dated 30th April 2015.

This Base Shelf Prospectus (also hereinafter referred to as "Base Prospectus" or "Shelf Prospectus") has been cleared and registered by the Securities & Exchange Commission ("the Commission"). It is a civil wrong and a criminal offence under the Investments and Securities Act No. 29 2007 ("the Act") to issue a prospectus, which contains false or misleading information. Clearance and registration of this Shelf Prospectus and the securities, which it offers, do not relieve the parties from any liability arising under the Act for false and misleading statements contained herein or for any omission of a material fact. Investors are advised to note that liability for false or misleading statements or acts made in connection with the Shelf Prospectus is provided in Sections 85 and 86 of the ISA. This Base Shelf Prospectus has been issued in compliance with Part XV of the Act, the Rules and Regulations of the Commission and the listing requirements of The Nigerian Stock Exchange and contains particulars which are compliant with the requirements of the Commission for the purpose of giving information with regard to the ₦140,000,000,000 NMRC Plc Medium Term Note Programme.

This Shelf Prospectus contains information about the general characteristics of the securities offered on the basis of the Programme, their distribution terms as well as Investor rights and duties related to such securities in addition to information about the Issuer. The list of the documents incorporated by reference into this Shelf Prospectus is presented on page 7. Details of the final terms applicable to each Series of Bonds such as the issue price, issue date, maturity date, principal amount, redemption amount, interest rate, tranches (if any) applicable to any Bond and any other relevant provisions of such Bonds, will be specified in a pricing supplement (the "Pricing Supplement") set out in a supplement to this Shelf Prospectus.

Bonds may be issued either in dematerialised form ("Dematerialised Bonds") or in certificate form ("Certificate Bonds") as more fully described herein. Bonds issued under the Programme will be rated. Bonds, whether Unsubordinated or Subordinated, will have such rating, as is assigned to them by the relevant rating agency as specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. The final terms of the relevant Bonds will be determined at the time of the offering of each Series/Tranche based on then prevailing market conditions and will be set out in the relevant Pricing Supplement.

The registration of this Shelf Prospectus and any Pricing Supplement shall not be taken to indicate that the Commission endorses or recommends the securities or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Shelf Prospectus or any Pricing Supplement. No securities will be allotted or issued on the basis of this Prospectus read together with a Pricing Supplement later than two years after the date of the issue of the Shelf Prospectus.

A DECISION TO INVEST IN THE SECURITIES OFFERED BY THE ISSUER SHOULD BE BASED ON CONSIDERATION BY THE INVESTOR OF THE SHELF PROSPECTUS, THE APPLICABLE PRICING SUPPLEMENT AND THE DOCUMENTS INCORPORATED BY REFERENCE THEREIN AS A WHOLE.

Without prejudice to the provisions of Section 85 (1) (Civil Liability for Mis-statements in Prospectus) of the Investments & Securities Act No. 29 2007, the Board of Directors on behalf of Nigerian Mortgage Refinance Company Plc accepts full responsibility for the accuracy of the information contained in this Shelf Prospectus. The Board of Directors has taken reasonable care to ensure that the material facts contained herein are true and accurate in all material respects and confirms that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

ISSUING HOUSE/BOOK RUNNER

DUNN LOREN MERRIFIELD
ADVISORY PARTNERS

RC 688014

This document is important and should be read carefully. If you are in any doubt about its contents or the action to be taken, please consult your Banker, Stockbroker, Accountant, Solicitor or any other professional adviser for guidance immediately. For information concerning certain risk factors which should be considered by prospective Investors, see "risk factors" commencing on page 29.

The information contained in this section is a summary of certain aspects of the Transaction, the Transaction Parties, the principal features of the Securities and the related Transaction Documents. This summary does not contain all of the information that you should consider before investing in the Securities nor does it purport to be complete. Therefore, it should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented in the remainder of this Base Prospectus and to the detailed provisions of each of the Transaction Documents and the applicable Pricing Supplement. Investors should read the entire Base Prospectus carefully, especially the risks involved in investing in the Securities which are discussed under "Risk Factors".

- NMRC's main purpose is to provide long-term funds to refinance the eligible loan portfolios of member Mortgage Lending Banks (MLBs) that conform to NMRC's Uniform Underwriting Standards, with the goal of making the mortgage market liquid.

- NMRC will refinance eligible mortgage loans of member Mortgage Lenders by purchasing the cashflows payable from the mortgage loans with recourse, and obtaining a corresponding security interest in the mortgage properties securing the original loans with 125% over-collaterisation.

- The mortgage pool composing of the eligible Mortgage Loans assigned by the MLBs will remain on their balance sheet as NMRC requires them to continue servicing the mortgage loans as well as conducting proper and periodic due diligence on borrowers to ensure their continued eligibility.

- NMRC will raise capital for its refinancing activities by issuing long-term bonds to institutional investors. The bonds will be backed by NMRC's cashflows from its right to the claims on the interest and principal payments due from the Mortgage Lenders under the Mortgage Loans, and the full faith and credit of the FGN.

- Being a recently established company with no performance history for investors and rating agencies to rely on for effective risk assessment and pricing, the credit rating of NMRC's securities will be enhanced by a Federal Government (FGN) Guarantee up to a stated amount.

- Certain privileges have also been granted by the CBN on NMRC's securities such as (i) exemption of the application of 1% general loan loss provisioning; (ii) classification as liquid assets for computation of liquidity ratios; (iii) eligible instrument for transaction at CBN Discount Window; (iv) zero risk weighting for the period the bonds are guaranteed by FGN.

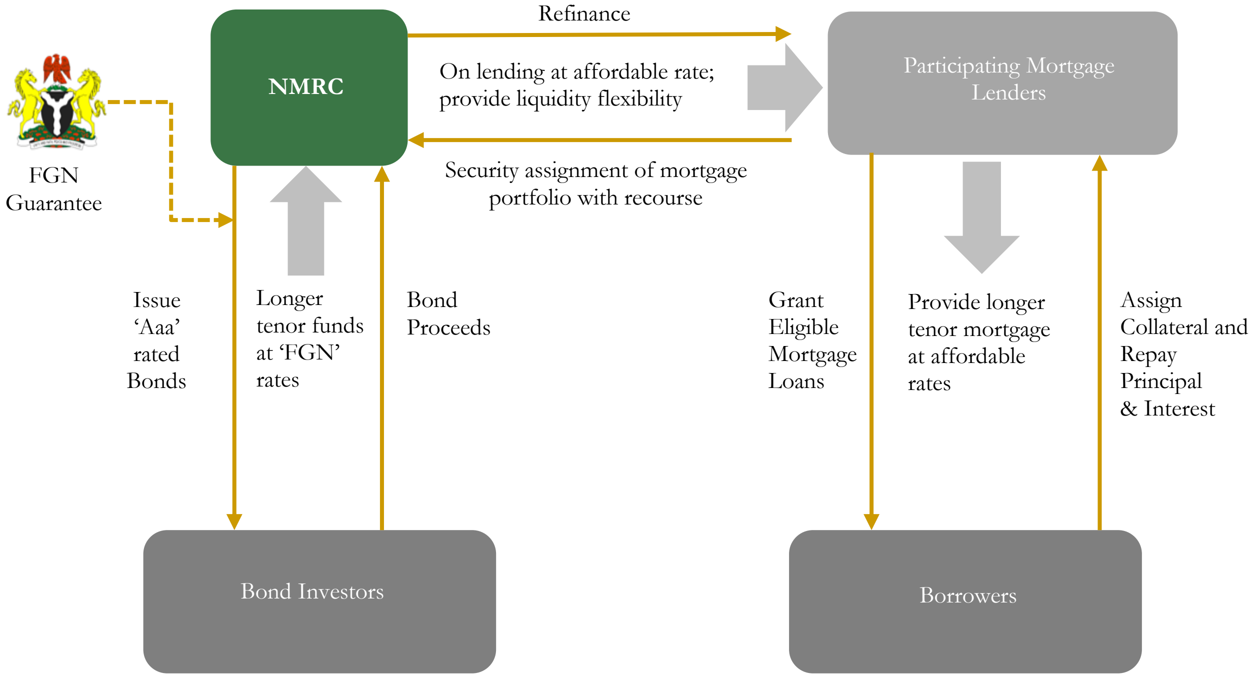
- In consideration for the guarantee, FGN will have a right of recourse to NMRC and the underlying Mortgage Properties, and NMRC will grant FGN the status of a secured creditor under the transaction security documents, as well as pay a periodic guarantee fee.

- As security for financing the MLBs, the MLBs will assign the underlying mortgage loan collateral documents to the Security Trustee to hold in favour of NMRC and the Secured Parties (comprising the FGN and Noteholders). The MLBs will be obligated to substitute any loans and/or mortgage properties that become delinquent or defective.

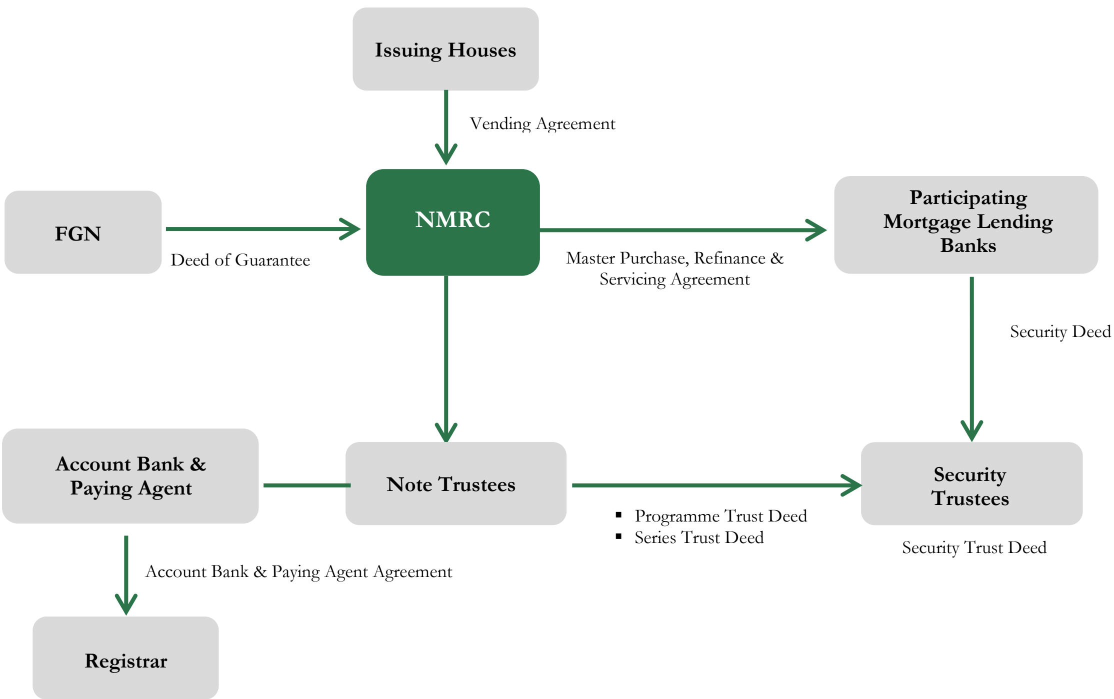
Structure Diagram

The following diagram sets out the transaction structure relating to the issue of the Bonds by the Issuer under the Programme. This diagram is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Base Shelf Prospectus.

Financing Structure



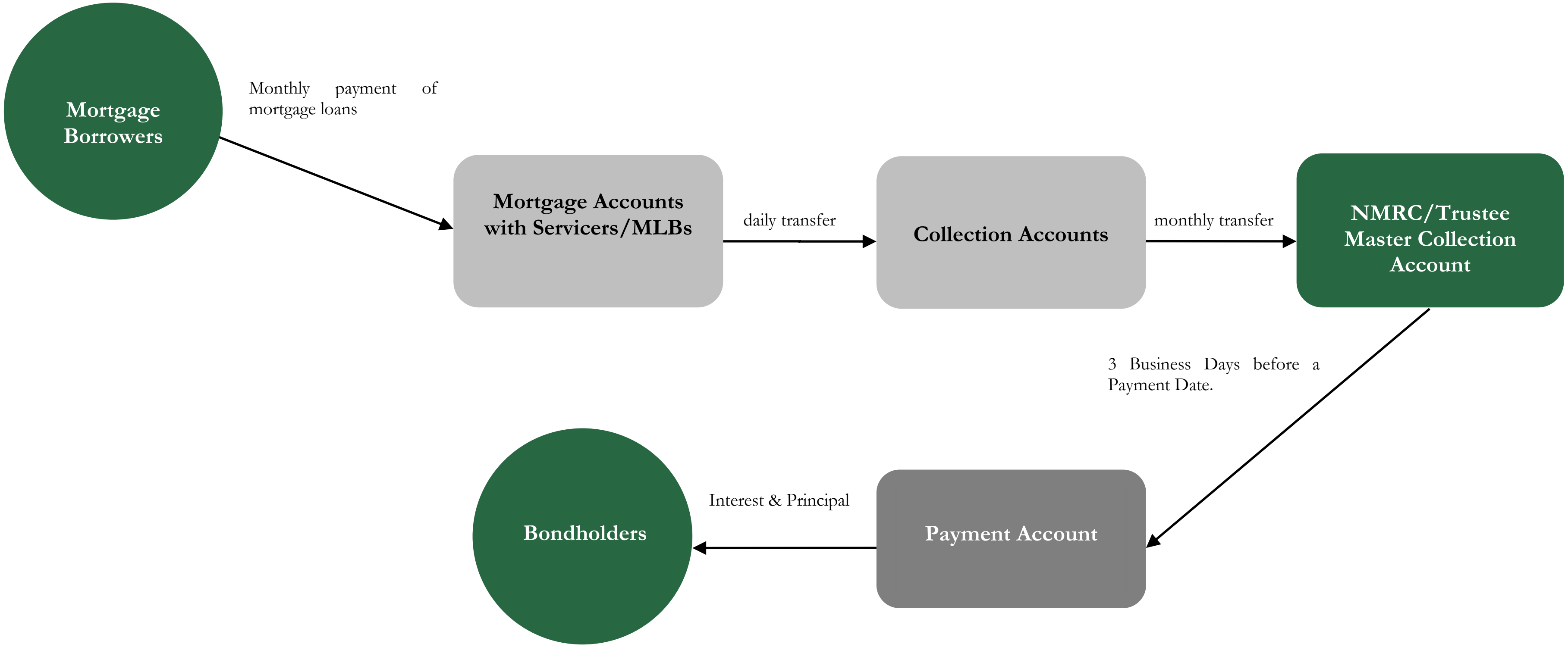
Transaction Documentation Structure



*See Summary of Transaction Documents on page 26 for further description

SUMMARY OF WITHDRAWALS AND CASHFLOW FROM THE TRANSACTION ACCOUNTS

This chart provides only a simplified overview of the flow of funds.



NMRC is discussing with the CBN to implement a Direct Debit System on the CBN Account of each Participating Mortgage Lending Bank such that an automatic debit of scheduled monthly deductions is effected directly from the CBN Account.

NMRC
Nigeria Mortgage Refinance Company

21 April 2015

The Director General
Securities & Exchange Commission
Plot 272 Samuel Adesujo Ademulegun Street
Central Business District
Abuja

Dear Sir/Madam,

STATUTORY DECLARATION OF FULL DISCLOSURE IN RESPECT OF NIGERIA MORTGAGE REFINANCE COMPANY PLC'S PROPOSED BOND ISSUE OF ₦140 BILLION MEDIUM TERM NOTE PROGRAMME ('THE PROGRAMME")

In compliance with Rule 280 (3) of the Consolidated Rules and Regulations of the Securities and Exchange Commission, June 2013 ("*Declaration by the Issuer on full Disclosure*"), we hereby affirm that this Prospectus and any supplement thereto has been prepared with a view to providing a description of the relevant aspects of Nigeria Mortgage Refinance Company Plc (the "Issuer") in connection with the above Bond Issue and the investment in the securities issued therein.

On behalf of the Issuer, we hereby make the following declarations:

1. We confirm that we have taken all reasonable care to ensure that the information contained in this Prospectus and any supplement thereto, is to the best of our knowledge and belief, in accordance with the facts, and contains no omission likely to affect its import.

2. We confirm that there has been no significant change in the financial condition or material adverse change in the prospects of the Issuer since the date of the Base Shelf Prospectus.

3. We confirm that the Issuer has not during the 12 (twelve) calendar months immediately preceding the date of the application to the Securities & Exchange Commission for registration of this Prospectus, breached any terms and conditions in respect of borrowed monies which has resulted in the occurrence of an immediate recall of such borrowed monies.

Signed for and on behalf of Nigeria Mortgage Refinance Company Plc by its duly authorized representatives:

DAMILOLA OGEDENGBE
FOR AND ON BEHALF OF
Detail Nominees
Company Secretary

Kehinde Ogundimu
Chief Financial Officer

Charles Inyangete, Ph.D
Managing Director/CEO

The following documents have been filed with the Commission and shall be deemed incorporated in, and form part of this Shelf Prospectus: (i) declaration by the issuer of full disclosure; (ii) the audited financial statements of Nigeria Mortgage Refinance Company Plc for the year ended 31st December 2014; and iii) the Rating Report by Global Credit Rating Company Limited dated May 2015.

Any Pricing Supplement (Supplementary Shelf Prospectus) approved by the Commission is hereby incorporated by reference into the Shelf Prospectus and forms an integral part of this Shelf Prospectus.
The Issuer's information given in this Shelf Prospectus and the terms and conditions of the Bonds to be issued under the Programme may be updated in a Supplementary Shelf Prospectus pursuant to the Rules and Regulations of the SEC.

This Shelf Prospectus and any Pricing Supplement (Supplementary Shelf Prospectus), if applicable, are accessible, and copies of them are available free of charge at the offices of the Issuing House from 8:00a.m. till 5:30p.m on Business Days during the Offer Period.

Telephone enquiries should be directed to the Issuing House as follows:

ISSUING HOUSE	CONTACT PERSON	TELEPHONE NUMBER
Dunn Loren Merrifield Advisory Partners Limited	Chinua Azubike	+234(0)8097778936
	Uzoma Okoro	+234(0)8135485060

Under this ₦140,000,000,000 (One Hundred and Forty Billion Naira) Medium Term Note Programme, the Company may issue from time to time, fixed or floating rate securities and any combination thereof (the "Bonds") through the Issuing House, or any additional party appointed under the Programme by the Issuer and/or Issuing House.

The maximum aggregate principal amount of the Bonds at any time outstanding under the Programme will not exceed ₦140,000,000,000 (the "Programme Limit").

The terms and conditions applicable to the issuance of Bonds under the Programme shall be established at the Issuer's initiative, taking into consideration its financial requirements and the conditions in the capital markets. These terms and conditions will be determined by the Issuer and the Issuing House and shall be set out in the Pricing Supplement (Supplementary Shelf Prospectus).

A Pricing Supplement (Supplementary Shelf Prospectus) shall contain the terms and conditions of each Series of Bonds to be issued in or substantially in the form set out below in "Form of Pricing Supplement" on pages 108 to 111.

Bonds may be distributed by way of public offer, private placement, or such other methods including through a book building process, and in such proportions as determined by the Issuer and the Issuing House. The method of distribution of each Series will be stated in the applicable Pricing Supplement (Supplementary Shelf Prospectus).

Bonds will be issued in such denomination as may be agreed between the Issuer and the Issuing House and as indicated in the applicable Pricing Supplement (Supplementary Shelf Prospectus).

The Bonds will be listed on a Securities Exchange. All Bonds issued on the basis of this Programme shall have ratings assigned to them. Other terms and conditions of the Bonds are, or shall be specified in this Shelf Prospectus, any supplementary Shelf Prospectus, i.e. the Pricing Supplement.

This Programme shall be valid for a period of 36 Months from the date of its issue and shall be subject to renewal as may be approved by the Commission.

If at any time the Issuer shall be required to prepare a supplementary shelf prospectus pursuant to Rule 279 (3) (5)(i) of the Rules and Regulations of the Commission in order to update or amend this Shelf Prospectus, without limitation, information changes, if any, including in relation to the Issuer since the date of this Shelf Prospectus in addition to such other information as is required by the Rules and Regulations of the SEC on the content of prospectuses, the Issuer will prepare and make available an appropriate amendment or supplement to this Shelf Prospectus or a further prospectus which, in respect of any subsequent issue of Bonds, shall constitute a supplementary shelf prospectus.

Statement of Indebtedness

As at 31st December, 2014, Nigeria Mortgage Refinance Company Plc had outstanding non-interest start up loan totalling ₦347,421,145.00 (Three Hundred and Forty Seven Million, Four Hundred and Twenty One Thousand, One Hundred and Forty Five Naira) from the Accountant General's Office of the Federation, approved by the Presidency as a bridge finance facility for the setting-up of the NMRC.

In addition, the Company also has drawn on the first tranche of Naira Equivalent of US$20 Million Tier 2 Capital from the CBN under the terms of the Subordinated Loan Agreement between the Issuer and CBN dated January 2014.

Other than as stated above, the Company has no outstanding debentures, mortgages, loans, charges or similar indebtedness or material contingent liabilities or other similar indebtedness, other than in the ordinary course of business.

The following information should be read in conjunction with the full text of this Base Prospectus, from which it is derived. The information provided below is a brief summary of the key features of the Programme, a description of the Issuer and, to the extent applicable, the summary of the terms and conditions of the Bonds. This summary should be read as an introduction to this Base Prospectus. It does not purport to be complete, and is taken from and qualified in its entirety by the remainder of this Base Prospectus as a whole.

Issuer	Nigeria Mortgage Refinance Company Plc
Guarantor	Federal Government of Nigeria
Guarantee	The Bonds issued and covered by the Guarantee Amount are backed by the irrevocable and unconditional guarantee of the Guarantor, by way of continuing guarantee, of the due and punctual observance by the Issuer of all of its payment obligations in respect of all principal amounts and interest (where applicable) due and payable by the Issuer pursuant to the terms and conditions of the Deed of Guarantee.
Programme Description	Programme of medium-term debt instruments (with tenors of between 12 Months to 25 Years) unsubordinated, secured debt instruments to be issued and offered in series and/or tranches. The Programme covers fixed rate bonds, floating rate bonds, and any combinations thereof, all of which shall be denominated in Naira. Securities held to maturity shall be redeemed at not less than the principal amount outstanding of such Securities. Securities offered under this Programme are accorded a shelf registration with the Securities & Exchange Commission for a three (3) Year period commencing on the date of issue of this Prospectus and are subject to renewal. The Securities shall be constituted by the Trust Deed. The provisions of the Trust Deed shall apply separately and independently to the Securities provided that any terms and conditions relevant to the Securities issued under the Programme shall be governed by the applicable Series Trust Deed and Pricing Supplement.
Programme Limit	₦140,000,000,000
Use of Proceeds	The use of proceeds for the relevant Series of Securities issued under the Programme shall be specified in the applicable Pricing Supplement.
Issuing House	Dunn Loren Merrifield Advisory Partners Limited
Note Trustees	Stanbic IBTC Trustees and Skye Trustees have been appointed under the Trust Deed to hold the benefit of the payment obligation and other covenants of the Issuer on behalf of the Bondholders.
Types of Securities to be issued under the Programme	The following form of Securities may be issued under the Programme as specified in the applicable Pricing Supplement: **Fixed Rate Securities** Where any Series of Securities are fixed rate Securities, such Securities shall bear interest at a fixed rate and will be payable for each Series in arrears on such date(s) and at such rate(s) as specified in the Conditions and/or the applicable Pricing Supplement. **Floating Rate Securities** Where any Series of Securities are floating rate Securities, the Interest

	Rate applicable will be determined in accordance with the Conditions and/or the applicable Pricing Supplement. **Maturities** Subject to compliance with the SEC Rules and Regulations, all relevant laws and directives, Series of Securities may be issued in any maturity as may be allowed or required from time to time by the Commission (or equivalent body (however called)) or any laws or regulations applicable. The maturity of each Series of Securities will be specified in the applicable Pricing Supplement and Supplementary Trust Deed. **Interest Periods** The length of the interest periods for the Securities and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series as specified in the applicable Pricing Supplement and Supplementary Trust Deed. **Redemption** Subject to the applicable Pricing Supplement, the Principal Amount Outstanding of the Securities may be redeemed in instalments on an amortising basis on each Payment Date or redeemed in a single bullet payment at the Maturity Date.
Method of Issue	Securities may be distributed by way of public offer, private placement, or such other methods including through a book building process, and in such proportions as determined by the Issuer and the Issuing House Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates.
Tranche	The specific terms of each Tranche (including without limitation, the nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder) will be determined by the Issuer and the Issuing House at the time of the issue and will be set out in the applicable Pricing Supplement.
Issue Price	The price of Securities of a specific series shall be defined in the Pricing Supplement of the relevant Series.
Closing Date	The Closing Date of a specific Series shall be stated in the Pricing Supplement relating to the Series of Securities to be issued.
Currency	Unless otherwise specified in the applicable Pricing Supplement, the Securities shall be denominated in Naira (₦).
Tenor	The tenor of a particular Series of Securities shall be determined by the Issuer and the Issuing House and specified accordingly in the Pricing Supplement for the Securities being issued.
Day Count Fraction/Business Day Convention	Actual/Actual (actual number of days in a Month and the actual days in a Year). Different day count conventions may be stipulated in the Pricing Supplement.
Interest Rate	The interest, if any, payable on the Securities shall be determined by the Issuer and Issuing House(s)/Bookrunner(s) and stated accordingly in the Pricing Supplement for the Securities being issued.
Frequency	The frequency of payment of interest and any other monies due on the Securities shall be specified in the Pricing Supplement for the Securities being issued.

Repayment	Repayment terms in respect of the Securities issued under the Programme shall be specified in the Pricing Supplement for the series of Securities being issued.
Credit Enhancement	The applicable credit enhancement for the repayment obligations of the Issuer in relation to any Securities issued to Investors shall be as specified in the applicable Pricing Supplement.
Subscription of Securities	The Securities may be subscribed to in accordance with the form of application set out in the Pricing Supplement relating to the Securities being issued.
Form of Securities/Transferability	The Securities will be issued in registered form and be freely transferable in accordance with the provisions of the Trust Deed. The Securities may be initially represented by a Certificate(s). Where the securities are represented by certificates, the Certificate(s) will be authenticated by the Registrar and may be dematerialised and held in electronic book entry form at the CSCS depository.
Grossing Up	All amounts payable under the Securities will be paid in full without set-off or counterclaim or other restrictions and free and clear of and without any deductions or withholding for or on account of any taxes or any charges or otherwise.
Rating	Securities issued under the Programme shall be assigned a rating by Global Credit Rating Co. ("GCR") (or such other appointed Rating Agency) as specified in the applicable Pricing Supplement. Investors will be notified of any change in the current rating of any outstanding Securities in such manner as shall be determined by the Trustees.
Taxation	The Federal Government of Nigeria ("FGN") has approved a waiver of taxes for all categories of bonds. The taxes covered by the approval are the Withholding Tax, Personal Income Tax, Value Added Tax, the Companies' Income Tax and the Capital Gains. See page 114 "Taxation".
Claims And Litigation	As at the date of this Prospectus, no litigation, arbitration or administrative proceedings is pending, has been commenced or is to the best of NMRC's knowledge threatened against the Company.
Governing Law	Nigerian Law
Transaction Documents	- Base Shelf Prospectus; - Programme Trust Deed; - Security Trust Deed - Series 1 Trust Deed - Vending Agreement - Account Bank & Paying Agent Agreement - Deed of Guarantee; - Master Purchase, Refinance and Servicing Agreement; and - Security Deed. Any other agreement(s) executed in connection with any Series of Bonds issued pursuant to this Base Prospectus.

*The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the Final Terms which are attached to the relevant Series Trust Deed, Supplementary Shelf Prospectus and/or Pricing Supplement (the "**Final Terms**"), will be endorsed on or attached to the Notes issued under the Programme. Further information with respect to Notes of each Series will be given in the applicable Final Terms, which will provide for those aspects of these terms and conditions, which are applicable to those Notes. Certain provisions of these terms and conditions are summaries of, and are subject to, the detailed provisions of the Trust Deed.*

The board of directors of Nigeria Mortgage Refinance Company Plc (the "Issuer"), has by a resolution passed on 6 February, 2014, authorised the establishment of the ₦140,000,000,000 Medium Term Note Programme (the "**Programme**") for the issuance of Notes.

The Notes constituted under the Programme may be issued in such series, together with any tranche or tranches of Notes, which are expressed to be consolidated forming a single series of Notes (each a "**Series**"). Each Series is the subject of the Final Terms which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Series of Notes are these Conditions as constituted by a separate trust deed applicable to each Series of Notes. In the event of any inconsistency between these Conditions and the applicable Final Terms, the applicable Final Terms shall prevail.

The Programme is constituted by a trust deed (the "**Programme Trust Deed**" or "**Trust Deed**") between the Issuer and Skye Trustees Limited and Stanbic IBTC Trustees Limited (the "**Trustees**"), which expression shall include any person or persons for the time being appointed as the trustee or trustees (under the Trust Deed) for the holders (as defined below) of the Notes (the "**Noteholders**").

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed. Copies of the Trust Deed are available for inspection at the specified offices of the Trustees, at Skye Bank Building (3rd Floor), 30 Marina, Lagos or The Wealth House, Plot 1678 Olakunle Bakare Close, Off Sanusi Fafunwa Street, Victoria Island, Lagos State, and at the specified offices of the Registrar at 213 Herbert Macaulay Way, Sabo, Yaba, Lagos.

Words and expressions defined in the Trust Deed (as same has been and may be amended, varied or supplemented from time to time with the consent of the parties thereto) are expressly and specifically incorporated to and shall apply to these Conditions.

1. Interpretation

(a) **Definitions**: In these Conditions, the following expressions have the following meanings:

"**Business Day**" means a day (other than a Saturday, Sunday or Federal Government of Nigeria declared public holiday) on which commercial banks are open for general business in Abuja and Lagos;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the applicable Final Terms and, if so specified in the applicable Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**Floating Rate Convention**" means that each relevant date shall be the date which numerically corresponds to the day preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred, provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred;

"**Day Count Fraction**" means in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in these conditions or the applicable Final Terms and:

(i) if "**Actual/Actual**" is so specified, means the actual number of days in the Calculation Period divided by the actual number of days in that year;

(ii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360; and

(iv) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

"**Extraordinary Resolution**" has the meaning defined in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount outstanding or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Guarantee**" means the guarantee provided and forming the obligation of the Guarantor under the Deed of Guarantee dated April 30, 2015;

"**Guarantor**" means the Federal Government of Nigeria acting through the Federal Ministry of Finance.

"**Insolvency Event**" means in relation to the Issuer:

(i) a voluntary case, proceeding or other action under any Applicable Law of any jurisdiction, domestic or foreign, relating to the bankruptcy, insolvency, reorganization, suspension of payments or relief of debtors seeking to have an order of relief entered into with respect to it, or seeking to adjudicate it a bankrupt or insolvent or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or to its debts;

(ii) a voluntary case, proceeding or other action seeking appointment of a receiver, trustee, liquidator, intervenor, administrator, custodian, conservator or other similar official of it or for any substantial part of its Property;

(iii) an involuntary case, proceeding or other action of a nature referred to in clause (i) above shall be commenced against it that: (A) shall result in the entry of an order for relief or of an order granting or approving such adjudication or appointment; or (B) shall remain unstayed, undismissed, undischarged or unbonded for a period of at least 90 days after the party's actual knowledge of such action;

(iv) an involuntary case, proceeding or other action shall be commenced against it that seeks the issuance of a warrant of attachment, execution, distraint or other similar process against any substantial part of its Property that shall result in the entry of an order for relief and shall remain unstayed, undismissed, undischarged or unbonded for a period of at least 90 days from the entry thereof;

(v) there shall be commenced against it any extra-judicial liquidation proceedings under any Applicable Law on insolvency;

(vi) it shall admit in writing its inability to pay its debts as they become due;

(vii) it shall make a general assignment for the benefit of creditors; or

(viii) it shall take any corporate (or similar) action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the foregoing acts;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the applicable Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**Interest Rate**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Final Terms;

"**Issue Date**" has the meaning given in the applicable Final Terms;

"**Indebtedness**" means any monetary indebtedness which is represented by a bond or other debt security and which is or is capable of being admitted to or listed or traded on a stock exchange or other securities market (including any over-the-counter market), any loan advanced by a bank, an insurance company or any other financial institution (including, without limitation, assignable loans) and any guarantee or suretyship in respect of any such monetary indebtedness or such loan;

"**Maturity Date**" has the meaning assigned to it in the applicable Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the applicable Final Terms;

"**Payment Date**" means in respect of each Series, the dates specified as such in the applicable Final Terms upon which interest and/or principal are due and payable in respect of the Notes of that Series;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Amount Outstanding**" means, on any day in relation to a Note, the principal amount of that Note on issue less the aggregate of all principal payments that have become due and payable in respect of that Note and have been paid on or prior to that day;

"**Redemption Amount**" means, any principal amount specified to be redeemed, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms;

"Redemption Date" means the Payment Date(s) specified in the applicable Final Terms;

(b) Interpretation: In these Conditions:

(i) any reference to principal shall include the Redemption Amount, any additional amounts in respect of principal which may be payable under condition 10 *(Taxation)*, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under condition 10 *(Taxation)* and any other amount in the nature of interest payable pursuant to these conditions;

(iii) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

(iv) if an expression is stated in condition 1(a) *(Definitions)* to have the meaning given in the applicable Final Terms, but the applicable Final Terms give no such meaning or specify that such expression is "not applicable" then such expression is not applicable to the Notes; and

(v) Any reference to the Trust Deed shall be construed as a reference to the Trust Deed as amended and/or supplemented up to and including the Issue Date of the Notes.

2. Form, Denomination, Title and Series

2.1 **Form and Denomination**

(i) The Notes may be issued in certificated form whereupon a Note Certificate ("**Certificate**") will be issued to Noteholders in respect of their registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the applicable Certificate and in the Register of Noteholders ("Register"). The Notes may also be issued through book-entry deposits by crediting the CSCS account of an applicant with the Principal Amount of Notes purchased by such applicant. The Notes shall be registered with a separate securities identification code with the CSCS.

(ii) Statements issued or any other document issued by the CSCS as to the aggregate number of such Notes standing to the credit of the securities account of any Noteholder shall be conclusive and binding for all purposes save in the case of manifest error and such Noteholder shall be treated by the Issuer, the Trustee and the Registrar as the legal and beneficial owner of such aggregate number of Notes for all purposes.

(iii) The Notes will be denominated in Nigerian Naira, issued at a par value of 100% and in minimum subscription amounts of ₦50,000,000 (Fifty Million Naira) and integral multiples of ₦1,000,000 (One Million Naira) thereafter.

2.2 **Title**

Title to the Notes will pass upon registration of the name of the Noteholder in the Register maintained by the Registrar for this purpose. The Issuer, the Trustees and the Registrar may deem and treat the holder of any Note Certificate as the absolute owner of such Note Certificate, free from any equity, set-off or cross-claim on the part of the Issuer against the original or any intermediate holder of such Note Certificate. All payments made to the holder shall be valid and, to the extent of sums so paid, effective to satisfy and discharge the liability for the moneys payable on the Notes.

2.3 **Series**

Whether a Note is a Series I Note or a Series II Note or such other Series shall be stated on the applicable Note Certificate and recorded in the Register. The Register and/or the applicable Final Terms shall be conclusive as to the series of a Note.

3. Registration and Transfer of Notes

3.1 A Register of the Notes shall be kept by the Registrar at its office, and there shall be entered in such Register:-

(i) the names and addresses of the holders for the time being of the Notes;

(ii) the amount of the units of Notes held by every registered holder;

(iii) the account number of the Noteholder;

(vi) the date at which the names of every registered holder is entered in respect of the Note standing in his name; and

(v) the serial number of each Note Certificate and date of issue thereof.

3.2 Any change of name or address on a part of the Noteholder shall forthwith be notified to the Registrar and thereupon the Register shall be altered accordingly. The Trustees and the Noteholders and any Person authorised by any of them shall be entitled at all reasonable times during office hours to inspect the Register and to make copies of or take extracts from the same.

3.3 The Notes are transferable in whole or in part in such denominations set out in the applicable Final Terms by instrument in writing in the usual common form of transfer or in any form approved by the Issuer and the Trustees and in accordance with the provisions of the Trust Deed. The Notes shall only be offered to HNIs and QIIs who shall confirm their status to the Registrars prior to registration.

3.4 Every instrument of transfer of the Notes must be signed by both the transferor and the transferee and title to the Note will pass upon registration of the instrument of transfer in accordance with the provisions of the Trust Deed.

3.5 Every instrument of transfer of the Note must be left for registration at the office of the Registrars for the time being of the Note, accompanied by the Certificate for the Note to be transferred and such other evidence as the Issuer may require to prove the title of the transferor or his right to transfer the Note, and if the instrument of transfer is executed by some other Person on his behalf, the authority of that Person so to do.

3.6 Any Person becoming entitled to the Notes in consequence of the death, bankruptcy, winding-up or dissolution of the holder thereof may, upon producing such evidence that he has or is entitled to the capacity in respect of which he proposes to act under this Condition or of his title as the Registrars shall think sufficient, be regarded as the holder of such Notes, or subject to the preceding Conditions as to transfer may transfer the same. The Issuer shall be at liberty to retain the interest payable upon any Notes which any Person is entitled to transfer under the preceding Condition until such Person shall be registered or duly transfer the same as aforesaid.

3.7 No Noteholder may require the transfer of a Note to be registered during a period of 10 (ten) Business Days immediately preceding each Payment Date during which the Register will be closed ("Record Date")

4. Guarantee and Status

4.1 Guarantee

The Guarantor has, unconditionally and irrevocably, guaranteed the due payment of the outstanding amount expressed to be payable by the Issuer as specified under, and in accordance with the terms of the Deed of Guarantee.

4.2 Status of Notes and Guarantee

The Notes constitute direct and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and rateably without any preference among them. The payment obligations of the Issuer under the Notes and of the Guarantor under the Deed of Guarantee shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other secured or unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

5. Security

The Issuer shall create a security interest in its rights and benefits under the Master Purchase, Refinance and Servicing Agreement and the Security Deed in favour of the Security Trustee as beneficial owner by way of security assignment, of a value at the time of not less than 125% of the Principal Amount of Bonds Outstanding in accordance with the terms and conditions of the Security Trust Deed.

6. Redemption, Purchase and Cancellation

6.1 Redemption at Maturity

Unless previously redeemed, purchased and cancelled, a Series of Notes may be fully redeemed in one bullet payment at its Final Redemption Amount (which, unless otherwise provided, is its Principal Amount Outstanding) at the Maturity Date specified in the applicable Final Terms.

6.2 Redemption by Instalments

Notes may be partially redeemed by instalment on each Payment Date at the Redemption Amount (or Scheduled Principal) specified in the applicable Final Terms whereupon the Principal Amount Outstanding of such Note shall be reduced by the Redemption Amount on each Payment Date until fully redeemed at the Maturity Date.

6.3 Redemption of Unscheduled Principal

To the extent that there are available funds from the Mortgage Pool with which to make any additional payments after the payment of the Scheduled Principal on a Payment Date, in accordance with the applicable Pricing Supplement, the Issuer will be entitled to make payment of any additional principal, and such additional payment shall constitute an Unscheduled Principal.

6.4 Redemption at the Option of the Issuer

The Issuer may at its option and where specified in the applicable Final Terms as being applicable,, redeem in whole on any Optional Redemption Date (Call) at the applicable Optional Redemption Amount (Call) on the Issuer's giving not less than 20 (twenty) nor more than 60 (sixty) days' notice to the Trustees on behalf of the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date)

6.5 Redemption Due to Changes in Legislation or Tax

For any Notes issued under the Programme, the Issuer will have the option to redeem the Notes wholly or in part on any Optional Redemption Date (Call) at the applicable Optional Redemption

Amount (Call), on the Issuer's giving not less than 20 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date), if :

6.5.1 the Issuer has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Nigeria thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and

6.5.2 such obligation cannot be avoided by the Issuer taking reasonable measures available to it, and

6.5.3 which obligation results, in the absolute discretion of the Issuer, in an unacceptable increase to the Issuer of the funding costs relating to the Notes; provided, however, that no such notice of redemption shall be given earlier than 180 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

6.6 Purchase

The Issuer may at any time and from time to time purchase (at the market price or at a premium to the par value of the Notes) through the market or by tender but not otherwise.

6.7 Cancellation

All the Notes which are redeemed in accordance with the provisions of the Trust Deed will be cancelled and may not be reissued or resold. For so long as the Note is admitted to listing and/or trading on the FMDQ OTC or any other stock exchange and the rules of FMDQ OTC or such other exchange so require, the Registrar shall promptly inform the Stock Exchange of the cancellation of any Note under this Condition 6.7 (Cancellation).

7. Interest and Calculation

7.1 Accrual of Interest

The Notes will bear interest from and including the Interest Commencement Date at the Interest Rate payable in arrears on its Principal Amount Outstanding. Each Note will cease to bear interest from and including the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well as after and before judgment) at the Interest Rate in the manner provided in this Condition.

7.2 Fixed Rate or Floating Rate Notes

The Interest Rate applicable to any Series of Notes (together with any tranche or tranches formed thereunder) may be specified as being Fixed Rate or Floating Rate and the amount of interest payable in respect of such Notes for any Interest Period shall be the applicable Interest Amount specified in (an amortisation/payment schedule appended to), or determined in accordance with, the applicable Final Terms

7.3 Zero Coupon Notes

Where any Series of Notes specified to be Zero Coupon is repayable prior to the Maturity Date or other date for redemption and is not paid when due, the amount due and payable prior to the Maturity Date shall be an amount equal to the sum of the Redemption Amount and an amount calculated by applying the Interest Rate for any overdue principal of such a Note to the Principal Amount Outstanding and multiplying the product with the Day Count Fraction.

7.4 Calculation of Interest Amount

The Interest Amount payable in respect of each Note for an Interest Period shall be specified in (an amortisation/repayment schedule appended to), or determined in accordance with, the applicable Final Terms. The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the Principal Amount Outstanding of such Note by the Day Count Fraction and rounding the resulting figure to the nearest sub unit of the naira.

8. Payments

8.1 The Principal Amount, Interest Amount, interest and any other amount(s) due in respect of any Series of the Notes shall be payable in the official currency of the Federal Republic of Nigeria, which at the respective dates of payment thereof is the legal tender for the payment of public and private debts.

8.2 The Trustees shall instruct the Paying Agent to pay into the bank account of each Noteholder (under the applicable series) on or before 4.p.m but in any event not later than the RTGS Closing Time on the Payment Date, the Principal Amount, Interest Amount (and any Unscheduled Principal, if any) due to each Noteholder. Payment instructions will be initiated by the Trustees for value on the Payment Date, or if the Payment Date is not a Business Day, for value on the first following day which is a Business Day.

8.3 Subject to Condition 10, (Taxation), payment of the Principal Amount, Interest Amount or any other amount due in respect of any Series of the Notes will be made by direct credit to the designated bank account of the Noteholders or by certified cheque mailed to the registered address of the Noteholder if a bank account is not specified for this purpose

8.4 For the purposes of this Condition, "bank account" means the bank account maintained by or on behalf of a Noteholder with a bank duly licensed by the Central Bank of Nigeria under the terms and conditions of the Account Bank and Paying Agent Agreement. The details of the bank account into which payments will be made shall be as advised in writing in the commitment form and "registered address" means the address appearing on the Register on that date.

8.5 A Noteholder whose name appears on the CSCS records as at close of business on the Record Date and whose names are recorded in the Register within 24 (twenty four) hours after the close of business on the Record Date shall be the only person entitled to receive payments in respect of the applicable Series under the Notes and the Registrar will be discharged by payment to, or to the order of, the Noteholder in respect of each amount so paid.

8.6 If the date for payment of the Principal Amount in respect of any Note is not a Business Day, the Holder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest or other payment in respect of such delay.

9. Priority of Payments

All monies received by the Trustees in respect of the Notes or amounts payable under this Trust Deed or the Deed of Guarantee shall, despite any appropriation of all or part of them by the Issuer or the Guarantor, be held by the Trustees on trust and shall be applied by the Trustees:

(a) firstly, in payment of the interest and scheduled principal amounts owing upon each Series pari passu in proportion to the amount due to the Noteholders respectively and without preference or priority;

(b) secondly, to pay any Unscheduled Principal *pari passu* and *pro rata* according to the respective amounts outstanding on the Notes.

(c) thirdly, the payment of all costs, charges, expenses, and liabilities incurred and payments made in or about the execution of the trusts hereof (if any) including all remuneration payable to the Trustees and Rating Agency as provided in this Deed.

(d) fourthly, any remainder after paying the amounts indicated above shall be paid to the Issuer

If the Trustees holds any monies in respect of Notes which have become void, or in respect of which claims have become prescribed, the Trustees shall apply them in accordance with the order of payment set out above.

10. Taxation

10.1 All payments of principal, interest and any other sum due in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Federal Republic of Nigeria or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, no additional amounts shall be paid to the Noteholders as a result thereof.

10.2 By virtue of the provisions of Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order, 2011 and the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 respectively (the "Orders"), corporate bonds are exempted from the imposition of value added tax and companies income tax respectively for a period of 10 years from the date of the Orders.

11. Events of Default

If any of the following events ("Events of Default") occurs and is continuing, the Trustees may at their discretion and shall, upon the request in writing of the registered holders of at least two-thirds of the nominal amount of the Notes for the time being outstanding or upon being so directed by an Extra Ordinary Resolution of the Noteholders by notice in writing to the Issuer declare the Notes to have become immediately repayable, whereupon the principal together with the accrued interest shall become immediately due and payable :

(a) Payment Default: the Issuer does not pay any amount in respect of the Notes of the relevant Series or any of them within ten (10) business days of the due date for payment;

(b) Breach of other Obligations: the Issuer does not comply with its other obligations under or in respect of the Notes of the relevant Series and, if the non-compliance can be remedied, does not remedy the non-compliance within twenty (20) business days after written notice requiring such default to be remedied has been delivered to the Issuer by the Trustees (except where such default is not, in the reasonable opinion of the Trustees after consultation with the Issuer, capable of being remedied, in which case no such notice as is mentioned above will be required);

(c) Cross Default: any Indebtedness in excess of the amount indicated in the Final Terms of the applicable series (or its equivalent in any other currency) of the Issuer in respect of money borrowed or raised is not paid within 10 Business Days of: (i) its due date; or (ii) the end of any applicable period of grace, whichever is the later;

(d) Enforcement Proceedings: a distress, attachment, execution or other legal process is levied on, or enforced against the whole or any substantial part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days thereof;

(e) Insolvency: an Insolvency Event occurs in respect of the Issuer;

(f) Obligations Unenforceable: any of the Notes, the Trust Deed, and/or the Final Terms is or becomes wholly or partly void, voidable or unenforceable.

PROVIDED that the Note shall not be declared immediately payable unless: (I) on the occurrence of the event specified in sub-clause 11(a) (*Payment Default*), the Trustees shall have first acted in accordance with the terms of Clause [2.6] of the Deed of Guarantee; (II) on the occurrence of any event specified in sub-clauses 11 (b) (c) and (d), the Trustees shall have first served on the Issuer a preliminary notice requiring the Issuer as the case may be to pay the principal or interest in arrears or to remove, discharge or pay out to the satisfaction of the Trustees such distress, execution or process or to perform and observe the covenant or provisions the breach whereof has been committed or threatened and the Issuer shall have failed or neglected for a period of five (5) days to comply with such notice; and (III) in the case of any event specified in sub-clauses 11 (e) and (f), the Trustees shall have certified in writing to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

12. Enforcement

12.1 At any time after the Notes of any Series shall have become payable after the expiry of the notice period in Condition 11 (*Events of Default*) above, the Trustees may at their discretion and upon being requested to do so in writing by the Majority Noteholders or by an Extraordinary Resolution by the Majority Noteholders present and voting at a special meeting of the Noteholders of the relevant Series duly convened for that purpose, and without further notice institute such proceedings against the Guarantor in accordance with the terms and conditions of the Guarantee, to enforce payment of the Notes of such Series, the premium (if any) thereon and all unpaid interest (if any) which has accrued thereon.

12.2 Evidence that as regards any specified Notes the Issuer has made default in paying any amount due in respect of such Notes shall (unless the contrary be proved) be sufficient evidence that the same default has been made as regards all other Notes in the Series to which it relates.

12.3 Only the Trustees may enforce the provisions of these presents. No Noteholder shall be entitled to proceed directly against the Issuer to enforce the performance of any of the provisions of these presents unless the Trustees having become bound as aforesaid to take proceedings fails to do so within 60 days and such failure is continuing.

13. Meetings of Noteholders, Modification and Waiver of Breach

13.1 **Convening Meeting of Noteholders**:

The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider matters affecting their interests, including the modification by Extraordinary Resolution of the Conditions or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustees and shall be convened by the Issuer or the Trustees at any time upon request in writing of holders of at least 10 percent of the aggregate principal amount of the outstanding Notes.

13.2 **Quorum**:

The quorum at any meeting of the Noteholders convened for passing an Extraordinary Resolution will be two or more Persons holding or representing by proxy not less than [three-fourths] of the nominal amount of the Notes for the time being outstanding; or, at any adjourned such meeting, two or more Persons being or representing Noteholders of the relevant Series, whatever the amount of the Notes held by them shall be a quorum for all purposes including the passing of Extraordinary Resolutions and to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders of the relevant Series, whether or not they were present at such meeting.

13.3 **Resolution in Writing**

A resolution in writing duly signed by the holders of all the Notes for the time being outstanding, shall be as effective for all purposes as an Extraordinary Resolution duly passed at a meeting of the Noteholders. Such Resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders.

13.4 **Modifications and Waiver**

The Trustees may, with the approval of the Issuer and the Majority Noteholders, after the clearance of SEC has been sought and obtained and upon the giving of prior written notification to (i) the Rating Agency which has assigned a credit rating to the relevant Series or any Notes comprised therein make:

13.4.1 any modification of any of the provisions of the Trust Deed or the Conditions that is of a formal, minor or technical nature or is made to correct a manifest error; and

13.4.2 any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach of any of the Conditions or any of the provisions of the Trust Deed which, in the opinion of the Trustees, is not materially prejudicial to the interests of the Noteholders of that Series.

Any such modification shall, upon receipt of the approval of the Commission, be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable

14. Replacement of Certificates

If any Certificate issued pursuant to these Conditions be defaced, lost or destroyed, it may be replaced on payment of all stamp duty (if any) payable on a new Certificate, and upon such terms as to evidence and indemnity as the Registrar may deem adequate and, in the case of defacement, on delivery of the old Certificate to the Registrar. An entry as to the issue of the new Certificate and indemnity (if any) shall be made in the Register.

15. Rights Against Predecessors-in-Title

Except as required by law, the Issuer will recognise the registered holder of any Notes as the absolute owner thereof and shall not be bound to take notice or see to the execution of any trust whether express, implied or constructive to which any Notes maybe subject, and the receipt by such registered holder, or in the case of joint registered holders the receipt by any of them, of the interest from time to time accruing due for any other moneys available in respect thereof shall be a good discharge to the Issuer notwithstanding any notice it may have whether express or otherwise of the right, title, interest or claim of any other Person to or in such Notes interest or moneys. Notice of any trust express or constructive shall not be entered on the Register in respect of any Notes.

16. Substitution

The Trust Deed contains provisions permitting the Issuer to agree: (a) with the consent of the Trustees and Majority Noteholders; (b) written confirmation and/or affirmation from the Rating Agency that the credit rating of such Notes will not be adversely affected; and (c) and approval of the Securities & Exchange Commission and the Securities Exchange, to agree to the substitution of the Issuer as principal debtor under the Trust Deed, with any other company;

17. Notices

17.1 Any notice may be given by the Issuer or by the Trustees to any Noteholder by sending the same through the post in a prepaid letter addressed to such Noteholder at its address appearing on the Register of Noteholders.

17.2 Any notice, or other communication may be given to the Trustees hereunder by sending the same through the post in a prepaid letter addressed to the Trustees at their registered offices in Nigeria.

17.3 Any notice, or other communication may be given to the Issuer by sending the same through the post in a prepaid letter addressed to the Issuer at its registered office in Nigeria:

The Managing Director
Nigeria Mortgage Refinance Company Plc.
Wing A, 5th Floor
Pent House, Clan's Place
Plot 1386A, Tigris Crescent
Maitama, Abuja

17.4 Provided that in each case, any notice given to any Noteholder, the Trustees or the Issuer by way of publication in two Nigerian National Dailies will suffice as sufficient notice.

18. Governing Law

The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, Nigerian law

This summary does not purport to be complete; to get a full understanding of the credit structure; please read in conjunction with the Transaction Documents. The Programme includes structural features designed to reduce credit risk and ensure the timely payment of amounts owed to the Noteholders. The structure of the credit arrangements under the Programme may be summarised as follows.

FGN Guarantee

To engender market confidence in the credit standing of NMRC as a bond issuing entity and enhance access to the capital markets, the Federal Government of Nigeria (FGN) through the Federal Ministry of Finance will guarantee NMRC's bond issuances up to a specified amount. FGN will provide a Guarantee for Notes issued by NMRC up to ₦440,000,000,000.00 in accordance with the terms of the Deed of Guarantee.

By the Deed of Guarantee, the irrevocable and unconditional obligations of the Guarantor shall extend to, and cover NMRC's payment obligations owed or promised to the Note Trustee under the Trust Deed, on a revolving basis, in respect of the Bonds issued under the Programme subject to the Guarantee Amount.

The Guaranteed Notes will be denominated in Nigerian Naira, as the FGN has an implied "AAA" long term national scale rating in its capacity as Guarantor for the notes as it has the ability to control the local currency and other factors within Nigeria. Please refer to Page 64 for Extracts of the Deed of Guarantee.

Over-Collateralisation

This type of credit enhancement is where an issuer of securities provides collateral in excess of what is required to adequately cover the repayment of the securities. By providing collateral with a higher face value than the securities being offered, an issuer can get a more favourable rating from a rating agency.

NMRC will refinance eligible mortgage loans of member MLBs by purchasing the cashflows payable from the mortgage loans with recourse, and obtaining a corresponding security interest in the mortgage properties with 125% over-collaterisation (i.e. 125% of the principal value of the refinancing amount).

NMRC will ensure that MLBs maintain adequate levels of collateral (125%) at all times; if the level of collateral declines, such MLBs will be requested to replenish or substitute the defective loans or mortgaged properties. The Refinancing Agreement provides for a direct deduction from the MLB's CBN Account if there is a shortfall and such shortfall is not replenished within 5 business days.

Eligible Mortgage Loans will constitute the collateral for refinancing by NMRC, however, MLBs will be allowed to provide Federal Government securities and treasury bills issued by the Federal Government as eligible collaterals in the event MLBs do not have eligible Mortgage Loans for substitution.

Pay - Through Payment Structure

Under a pay-through payment structure, NMRC will pass mortgage payments to the investors, on monthly/quarterly basis (as specified in the applicable Final Terms), and subject to the same fluctuations, as there are in the actual cash generated by the mortgage loans. Thus, amounts collected every month is passed through to investors on a quarterly basis, after applicable deductions.

Investors are therefore serviced as and when cash is actually generated by the underlying assets and prepayments are passed on to the investors thereby significantly reducing the risk of negative carry on excess cash retained in the structure.

To achieve this, NMRC will issue Mortgage Pay-through Bonds (MPTB) which are bonds where the Issuer pays through to investors, at a specific coupon, scheduled principal and interest that mortgagors pay each month on the outstanding balance of the mortgage loans backing the security, along with any unscheduled prepayments. The Bonds will pay quarterly.

Refinancing with Recourse (Substitution of Mortgage Loans)

NMRC will only refinance eligible mortgage loans with recourse. This means that though NMRC is purchasing the receivables under the mortgage loans, the loans will remain on the MLBs' books (balance sheet), as such, the credit risk performance of the mortgage loans shall remain with the MLB. The MLB will be obligated to substitute or repurchase the loans that cease being eligible under the NMRC Uniform Underwriting Standards which becomes delinquent or ineligible under the Master Purchase, Refinance and Servicing Agreement, hence NMRC's credit risk will be close to nil since NMRC will have full **recourse** to the Mortgage Lenders for any default on the refinancing amount advanced to it pursuant to the Master Purchase, Refinance and Servicing Agreement (**default** risk). In other words, although, the refinancing amount advanced by NMRC to a MLB will be refinanced from the receivables of the Mortgage Pool, the MLB remains liable to NMRC in the event that receivables under the Mortgage Pool is inadequate to meet the MLBs' monthly repayment obligation to NMRC under the Master Purchase, Refinance and Servicing Agreement. Thus NMRC has repayment right from both the Mortgage Pool and the MLB. Similarly, where there is a prepayment under the Mortgage Pool, the Mortgage Lender is also under an obligation to remit such repayment amount to NMRC. This structure greatly reduces NMRC's credit risk, if any.

MLBs will provide NMRC with quarterly reports on defective loans and prepayments. Based on these reports, mortgage originators are required to replace any defective, delinquent or ineligible loans.

Assignment of Beneficial Interest Structure

NMRC will contract with eligible MLBs to enable: (i) an assignment of the MLB's beneficial right, title or interest in all distributions of principal and interest and all prepayments received on or with respect to the Mortgage Loans (the "Mortgage Loan Rights"), with recourse (until the MLBs fully repays its obligations to the Issuer under the Master Purchase, Refinance and Servicing Agreement; and (ii) legal assignment by way of security wherein the MLB shall charge as beneficial owner and for continuing security to and in favour of the Security Trustee (and to its satisfaction) by way of a first fixed charge, eligible Mortgage Loans of a value at the time of not less than 125% of the Refinancing Amount, at the point of the refinance (the "Refinancing Date").

The intention is for the assignment structure to effectively ring-fence those assets on the balance sheet of the MLB in the case of insolvency, meaning that NMRC will have a priority ranking above other creditors should the bank go into a liquidation process.

Subordinated Debt Capital

NMRC and CBN entered into a Subordinated Loan Agreement dated January 2014 for the disbursement of US$250 million to NMRC in the form of Tier 2 Capital.

The US$250 million Tier 2 Capital is a World Bank International Development Association (IDA) line of credit equivalent for a 40 year period with a 10 year grace period, which will be disbursed in 6 tranches to NMRC based on disbursement linked indicators. The Loan shall be subordinated and rank after any bond issued by NMRC, and any other senior creditors of NMRC.

The role of the Tier 2 Capital will be twofold: (i) to strengthen NMRC's balance sheet and (ii) to ensure sustainability of the model as it will provide confidence in the credit standing of NMRC as a bond issuing entity.

NMRC has drawn on the first USD$20 Million from the IDA Facility as at July 2014 following compliance with the Effectiveness Conditions of the World Bank.

The subordinated debt provides credit protection to the Bondholders (i.e. senior debt holders) because the subordinated debt holder (CBN) agrees to absorb losses before the senior debt holders.

The information in this section is a summary of certain provisions of some, not all, of the Transaction Documents applicable to the Programme. This summary should be read in conjunction with and is qualified in its entirety by reference to the applicable Final Terms. Copies of all Transaction Documents (and the relevant Supplements thereto, if any) are available for inspection at the registered office of the Trustees. Unless defined in this section, terms used in this section have the meaning given to them in the "Glossary" of this Prospectus.

Programme Trust Deed

The principal agreement governing the Notes is a programme trust deed dated on or about the Initial Closing Date and made between, the Issuer and the Notes Trustee (the "Trust Deed"). The Trust Deed primarily:

(i) constitutes the Notes;

(ii) sets out the covenants of the Issuer to the Notes;

(iii) sets out the enforcement and post-enforcement procedures relating to the Notes;

(iv) sets out the appointment, powers and responsibilities of the Notes Trustee; and

(v) contains the general terms and conditions under which the Notes in each Series will be issued subject to the Final terms of each Series.

The Notes are guaranteed by the government of the Federal Republic of Nigeria for Bonds issued within the value of the Guarantee Amount. The Trust Deed sets out the form of the Notes, the terms and conditions, and the conditions for the issue and/or the cancellation of any Notes.

It also contains covenants made by the Issuer in favour of the Note Trustee and Noteholders. The main covenant is that the Issuer will repay principal (Unscheduled and Scheduled) and pay interest on each of the Notes when due. The Trust Deed further provides for the establishment of Transaction Accounts as well as the Issuer's covenants to create security over the Transaction Accounts for the benefit of the Noteholders. The Issuer also covenanted to create security interest over the Mortgage Loans in favour of the Trustee on behalf of the Noteholders

The Trust Deed also sets out the terms under which the Notes Trustees are appointed, the indemnification of the Notes Trustees, the payment they receive, the extent of the Notes Trustees' authority to act on behalf of the Noteholders and provision for meetings of the Noteholders. The Notes Trustee is also given the ability to appoint a delegate or agent in the execution of any of its duties under the Trust Deed. The Trust Deed also sets out the circumstances in which the Notes Trustee may resign or retire. The Trust Deed is governed by Nigerian law.

Account Bank and Paying Agent Agreement

On or before the Initial Closing Date, the Issuer, the Note Trustee, the Security Trustee, the Account Bank and Paying Agent, and the Registrar will enter into an account bank and paying agent agreement (the "Account Bank and Paying Agent Agreement"), pursuant to which the Account Bank will agree to open and maintain the Master Collection Account and the Payment Account (the "Transaction Accounts").

The Payment Account shall be established into which: (i) all amounts standing to the credit of the Master Collection Account; (ii) investment income received in respect of the proceeds of any Authorised Investments; and (iii) such other payments received by the Issuer as are, or ought in accordance with the Trust Deed and the Series Trust Deed will be applied in satisfaction of the Issuer's payment obligations. The amounts standing to the credit of the Payment Account shall be applied towards payment of the Issuer's payment obligations to the Noteholders. The Master Collection Account shall be established into which all monies received by the Issuer in respect of the Mortgage Loans shall be credited.

The Account Bank and Paying Agent will act as agent for the payment of all the Issuer's payment obligations on the applicable due date and the Registrar will maintain the Notes Register and provide such other ancillary services as may be agreed.

The Account Bank and Paying Agent shall have the responsibility of (i) ensuring that payment of any amount(s) due in respect of the Notes is made on behalf of the Issuer and Notes Trustee on each Payment Date; (ii) accepting deposits into, transferring into and making withdrawals from the Transaction Accounts; (iii) effecting investments in Authorised Investments on the Notes Trustee's instruction; and (iv) effecting the payment of all the Issuer's payment obligations under the applicable Series Trust Deed including but not limited to the payment of interests and principal due on the Notes to the Noteholders.

The Account Bank and Paying Agent shall on the instruction of the Notes Trustee, invest any amount standing to the credit of the Payment Account in Authorised Investments, the Account Bank shall act on the instruction of the Notes Trustees in undertaking such Authorised Investments.

No withdrawal may be made from any Transaction Account, (and the Account Bank shall not permit any such withdrawal to be made from any Transaction Account held with it), if the withdrawal would result in that Account being overdrawn.

The Account Bank and Paying Agent Agreement requires each of the Account Bank and Paying Agent and the Registrar to immediately notify the Notes Trustees and the Issuer of any event which would or could entitle the Notes Trustees to serve a notice of termination of the Account Bank and Paying Agent Agreement.

The Account Bank and Paying Agent Agreement is governed by Nigerian law and disputes arising in connection therewith are to be resolved by arbitration in Nigeria.

Deed of Guarantee

Guarantee Obligation

The parties to the Deed of Guarantee (the **Guarantee**) are the Issuer, the Note Trustees and the Federal Government of Nigeria. By the terms of the Guarantee, the FGN as Guarantor unconditionally and irrevocably guarantees to the Trustee for the benefit of the Bondholders, the due and punctual payment by the Issuer of all amounts due to the Bondholders in respect of the Bonds issued up to a value within the Guarantee Amount. The Guarantee also covers all fees incurred by the Trustee in enforcing the Guarantee.

The Guarantee contains tax gross-up provisions which seek to ensure that the net amount ultimately received by the Note Trustees after any withholding or deduction is equal to the amount the Note Trustees would have received had no such withholding or deduction been required.

Preliminary Demand

Before taking steps to enforce the Guarantee and demand payment from the Guarantor, the Note Trustees will make a demand in writing for payment from the Issuer. The making of a demand by the Note Trustees will not adversely impact the right of the Note Trustees to make further or subsequent demands where permitted under the Guarantee, with respect to Bonds issued up to a value within the Guarantee Amount.

Duration

The Guarantee shall remain in full force and effect from and after the date of execution for all Notes issued up to a value of the Guarantee Amount, provided that the Guarantee shall apply to all the Notes issued up to the Guarantee Amount and continue to apply to any amounts due to the Noteholders by the Issuer in respect of all the Notes issued up to a value of the Guarantee Amount until the maturity date of such Bonds. The Guarantee is governed by Nigerian law.

Security Trust Deed

The Issuer and the Security Trustee will execute a Security Trust Deed ("**Deed**"), pursuant to which the security interest in the mortgage properties held by the Mortgage Lending Banks, will be created for the benefit of the Noteholders. The trust created under the Security Trust Deed includes a security assignment of NMRC's rights under the Transaction Documents, a charge on the Transaction Accounts and a floating charge over all of NMRC's undertakings.

Creation of Security Interest

As security for the satisfaction, performance and discharge of all the Secured Obligations, the Issuer shall charge, assign, transfer, pledge, grant and convey the security interests 9assigned by the MLBs to NMRC) to the Security Trustee for the benefit of the Noteholders.

Continuing Security

The security constituted by or pursuant to this Deed shall remain in full force and effect until the Redemption Date, as a continuing security and shall extend until the payment and discharge in full of the Secured Obligations regardless of any intermediate payment or discharge of less than all of the Secured Obligations.

Issuer's Covenant

The Issuer shall covenant with the Security Trustee that it shall, with or without formal demand, discharge the Secured Obligations in full and not create any charge, pledge, lien or other encumbrance upon, or permit any charge, pledge, lien or other encumbrance to be created on the trust property created under the Security Trust Deed.

Enforcement Powers of the Security Trustee

The security constituted under this Deed will become immediately enforceable if an Event of Default occurs and is continuing. After the security constituted under this Deed becomes enforceable, the Trustee shall have the powers to enforce the security interests created pursuant to this Deed and enforce the obligations of the Issuer pursuant to the enabling law.

Governing Law

The Deed will be governed by, and shall be construed in accordance with Nigerian law.

An investment in the Bonds may involve a high degree of risk. Accordingly, prospective investors should carefully consider the following risk factors together with all the other information included in this Prospectus and applicable Final Terms before purchasing the Bonds. The risks outlined below are by no means exhaustive, and are not the only risks facing each Series of Bonds or the Issuer. Additional risks and uncertainties not currently known to the issuer, or that the issuer currently considers immaterial may also materially and adversely affect the Issuer in the future should market conditions deteriorate. Any of the following risks could result in a material adverse effect on the Company's financial condition, and ability to service its debt obligations, including the Bonds.

1. General Risks Relating to the Bond

1.1 Independent Review and Advice:

The Bonds may not be suitable to all investors. Therefore each prospective investor in the Bonds must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Bonds is fully consistent with its investment needs, objectives and condition, that it complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Bonds. A prospective investor may not rely on the Issuer or the Issuing House(s) or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Bond or as to the other matters referred to above.

1.2 Legality of Purchase:

Neither the Issuer, the Book Runners nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Bonds by a prospective investor in the Bonds, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

1.3 Change of Law:

The Terms and Conditions of the Bonds are based on Nigerian law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Nigerian law or the official application or interpretation of Nigerian law after the date of this Base Prospectus.

1.4 Modification, waivers and substitution:

The conditions of the Bonds contain provisions for calling General Meetings of Bondholders to consider matters affecting their general interests. These provisions permit Bondholders holding at least seventy-five percent (75%) of the aggregate nominal value of the Bonds for the time being outstanding to bind all Bondholders including Bondholders who did not attend and vote at the relevant General Meeting and Bondholders who voted in a manner contrary to the majority.

1.5 Taxation:

On the 17th of March 2010, the Federal Government of Nigeria approved tax waivers for all categories of Bonds for a period of 10 (ten) years from the date of grant by the FGN. However, requisite administrative and legislative processes to give legal effect to these waivers are yet to be concluded. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for such Bonds. Potential investors are advised not to rely upon the tax summary contained in this Base Prospectus and/or in the Pricing Supplement (Supplementary Shelf Prospectus) but to seek their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Bonds.

1.6 Credit ratings may not reflect all risks:

The Bonds issued under the Programme will be assigned a rating by the Rating Agency. Independent rating agencies may decide to rate the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

1.7 The secondary market for trading the Securities may not be very liquid:

The Nigerian securities markets are substantially smaller, less liquid and more concentrated than major securities markets. The Issuer cannot guarantee that the market for the Notes will always be active or liquid, for example, the Notes may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the Notes may be easily disposed of at prices and volumes at instances best deemed appropriate by their holders.

1.8 Payments on Bonds will be affected in part by the rate of prepayment on the Mortgage Loans:

NMRC will issue Bonds under the Programme with an option to pass through unscheduled principal payments. The rate of prepayments on the Bonds is influenced by a wide variety of economic, social and other factors, including the terms of the mortgages, prevailing mortgage market interest rates, the availability of alternative financing programs and other economic conditions. No assurance can be given as to the level of prepayment that the Mortgage Pool will experience.

In addition, if any MLB is required to repurchase a Mortgage Loan because, for example, it does not comply with the UUS, then the payment received by NMRC will have the same effect as a prepayment of the Mortgage Loan.

2. Risks Relating to Nigeria

2.1 Political and regional instability:

Oil exportation is the major source of government revenue to Nigeria and Nigeria's major oil producing area is the Niger Delta region. Up until recently, there have been political disturbances and intermittent kidnappings for ransom in the Niger Delta region, which substantially affected the country's oil production. This political disruption if it resurges, could adversely affect oil production and economic activity in the main oil producing region of Nigeria.

The advent and activities of Boko Haram, the Islamist fundamentalist group, in the north-eastern part of the Federation in 2011 have introduced a new dimension to armed confrontations with public security forces. Suicide bombings, indiscriminate attacks on even coreligionists, and reports of collaboration with moles in the security agencies have raised serious concerns about the protection of lives and property, the sustained attractiveness of Nigeria to foreign investors, and the recovery of the capital market. Tackling this challenge may distract the government from addressing pressing economic and social issues.

Although, the political and regional instability has had a material adverse effect on investment and confidence in the performance of the Nigerian economy, the Federal Government has embarked on a number of initiatives to address the instability and unrest. Part of these initiatives include declaring a state of emergency in three states, launching a counter offensive attack by the Military, imposing curfew in the affected regions, granting unconditional amnesty to former militants who surrendered their arms and ammunition, and a proposal to offer a 10% equity stake to host communities in all joint venture businesses that the FGN is a party to within the Niger Delta region.

2.2 Risks related to the economic stability of Nigeria:

Downward pressure on the economic stability could develop if reforms stagnate, growth falters, external balance deteriorate from a sharp drop in oil production or prices and political tensions or violence increase substantially.

The immediate past administration after the April 2011 election has sustained the reform momentum by implementing a number of wide sweeping political and economic reforms aimed at diversifying Nigeria's economy and increasing macroeconomic stability whilst promoting a private sector market driven economy. In November 2012, Standard & Poor's (S&P) upgraded its long-term foreign and local currency sovereign credit rating on Nigeria to 'BB-(three notches below the investment grade) from 'B+' because of improved financial stability. Moody's assigned local and foreign currency issuer ratings of 'Ba3' to Nigeria due to the country's stable outlook and Fitch Ratings revised the outlook on Nigeria's 'BB-' rating to "stable" from "negative". In March 2015 however, Standard & Poor downgraded Nigeria's rating from BB-to B+ on the grounds that the decline in oil prices in the last seven months has significantly affected Nigeria's external position and external vulnerability.

S&P, however, identified the 2015 general elections and the "potential under-performance on oil production" as possible negative factors. The recent decline in the global price of oil has brought about a decline in Government revenue and budget for 2015, as well as effected a devaluation of the local currency. Having sustained its accretion of external reserves for many years, Nigeria currently has to support its budget by utilising portion of its excess crude savings which make up a substantial share of external reserves. The economic outlook anticipates continued reforms progress, tighter monetary policy, more fiscal discipline, including progress towards fully scrapping the petroleum subsidy and implementation of the Nigerian sovereign wealth fund Investments.

2.3 Global price of oil has a significant impact on the Nigerian economy:

The CBN Q4 2013 report states aggregate crude oil export at 1.42million barrels per day (bpd). Gross Oil receipt accounts for 69.9% of federally collected total revenue in Q4 2013, while non-oil receipt was 30.1%. Crude oil prices are volatile and prices have risen in recent years due to a number of factors such as the level of global production and demand and political factors such as war and other conflicts, particularly in the Middle East and Europe. The sharp decrease in oil prices by over 100% has adversely affected the Nigerian economy, including the housing sector. Though prices of most building materials, have risen in recent years and continue to stay high, the last quarter of 2014 saw a major cut in the price of cement which is a key material in the Nigerian housing sector. If the prices of raw materials rise and approach levels that are deemed unviable, this will result in a slowdown in housing projects and thereby reduce the NMRC's business opportunities, financial performance and ability to implement its strategy.

The newly elected Buhari-led administration has expressed its commitment to economic reforms aimed at diversifying Nigeria's economy and increasing macroeconomic stability whilst promoting a private sector market-driven economy. With the increased liquidity the NMRC intends to bring to the housing sector, it is expected that this will in turn lead to a reduction of construction costs which will enable a large production of affordable housing.

2.4 Emerging markets such as Nigeria are subject to greater risks than more developed markets:

In emerging market countries, securities markets may be smaller than in more developed countries, making it more difficult to sell securities in order to take profits or avoid losses. Companies in these markets sometimes have limited product lines, markets or resources, making it difficult to measure the value of the company. Political instability and possible corruption increase the possibility of fraud and other legal problems.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and are familiar with investing in emerging markets. Investors should also note that emerging markets such as Nigeria are subject to rapid changes and that the information set forth in this Prospectus may become out-dated relatively quickly.

3. Risks relating to the NMRC

Risk Inherent in the Purchase of Mortgage Loans with Recourse:

NMRC will be exposed to a variety of risks when it purchases/refinances with recourse. The five major risks are market risk, liquidity risk, credit risk, operational risk and capital risk.

3.1 Market Risk:

Market risk is the risk of losses as a result of adverse movements in the market interest rates or prices. Market risk consists of:

a. Price risk is the risk of losses resulting from adverse movements in market prices. The risk- free rate of interest is set by the Federal Government and is exogenous to NMRC's operations.

b. Interest rate risk is the potential of loss arising from mismatches in the assets and liabilities structure of NMRC.

c. Pipeline/Delay risk arises due to changes in interest rates between the time of pricing of refinanced loans and issuance of bonds.

d. Overcrowding risk arises if NMRC decides to issue bonds when other players are issuing. This will make NMRC's bonds less attractive as a result of competition.

3.2 Liquidity Risk:

This arises when NMRC is unable to meet expected or unexpected current or future cash flows without affecting its daily operations or its financial condition.

3.3 Credit Risk:

Credit risk consists of settlement risk and issuer risk. Settlement risk is the possibility that a counter party fails to fulfill its obligations as and when they fall due.

As NMRC will also invest its excess funds in bonds and in other instruments, it will also be subject to issuer risk, which is principally the risk of losses resulting from the default of NMRC on its securities which may arise from the adverse price movements of its investment portfolio.

3.4 Operational Risk:

Operational risk is the potential exposure to financial or other damages resulting from failed processes, human behavior or from external events. In the set-up of the NMRC, it is possible that the NMRC might not be able to find the proper talent to staff the professional ranks of the Company in accordance with the requirements of the organization charts and job descriptions contained in its business plan. This can impact on the ability to manage internal processes and increase the operational risk faced by the NMRC. Operational risk is inherent in NMRC's business activities and, as with other risk types, is mitigated through an overall framework designed to balance strong corporate oversight with well-defined independent risk management.

3.5 Capital Risk

Capital risk is the risk that the NMRC's total capital base is not properly managed in a prudent manner.

4 Risks relating to the activities of the NMRC:

4.1 Supply Risk:

The supply of standardised mortgage loans is extremely limited and virtually non-existent in the 'affordable' range. Most housing are either self-financed or the mortgage is customised, therefore there might be an insufficient stock of mortgages for refinancing by NMRC in its early years of operation.

4.2 Demand Risk:

NMRC will operate on a market basis and will face risk that it is not able to offer pricing which is attractive enough to entice banks to participate. NMRC's liquidity is also largely dependent on the demand for its bonds and other mortgage securities which is targeted mainly towards investors. Thus, NMRC faces the risk that investors might not subscribe to its debt securities.

4.3 Governmental/ Regulatory Risk

A large aspect of the success of the NMRC depends on the government agreeing to the list of concessions needed by the NMRC in order to successfully get its operations launched. These concessions include waiver of costs/fees for issuing bonds by governmental and other authorities such as the CBN, NSE, SEC, FIRS, DMO, etc.

4.4 Servicer Risk

Typically, the originator is also the servicer of the refinanced loan, although this is likely to open up as the market becomes more active and specialist servicing companies begin to proliferate. The ability of the servicer to service the pool of loans over the term of the transaction is an important risk factor.

Directors' report
for the year ended 31 December 2014

The Directors have pleasure in presenting their report on the affairs of Nigeria Mortgage Refinance Company Plc ("the Company") together with the financial statements and auditor's report for the year ended 31 December 2014.

(a) **Legal form and principal activity**
Nigeria Mortgage Refinance Company Plc ("the Company") was incorporated on 24th June 2013 as a public liability company and is yet to commence operations as at 31 December 2014.

The principal activity of the Company is to provide long term funds to eligible mortgage lenders by issuing long term bonds in the Nigerian financial market and refinancing, securitising or purchasing mortgage loans.

(b) **Pre-operational results**
The highlights of the Company's pre-operational results for the year are as follows:

In Naira	**31 December 2014 12 months**	**31 December 2013 6 months**
Gross earnings	732,916,979	-
Profit/(Loss) before income tax	160,148,256	(48,112,406)
Income tax expense	-	-
Profit/(Loss) after taxation	160,148,256	(48,112,406)
Other comprehensive income for the period, net of income tax	-	-
Total comprehensive income/(loss) for the year/ period	160,148,256	(48,112,406)
Earnings/(Loss) per share (Basic and diluted) - kobo	55	(19,245)

(c) **Directors and their interests**
The directors who served during the period were as follows:

		No. of shares held	% Holding
Dr. (Mrs.) Ngozi Okonjo-Iweala	- Chairman	-	-
Professor Charles Inyangete *	- Chief Executive Officer	-	-
Mr. Sonnie Ayere **	- Chief Executive Officer	-	-
Mr. Herbert Wigwe	- Non-Executive Director	-	-
Mr. Razack Adeyemi Adeola	- Non-Executive Director	-	-
Mr. Uche Orji	- Non-Executive Director	-	-
Mr. Hassan Musa Usman	- Non-Executive Director	-	-
Mr. Femi Johnson	- Non-Executive Director	-	-
Mr. Joseph Magaji Azi	- Non-Executive Director	-	-

* Appointed November 6, 2014
** Resigned as interim Chief Executive Officer with effect from September 30, 2014

(d) **Directors' interest in contracts**
None of the directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act of Nigeria, of any interest in contracts during the year.

(e) Analysis of shareholding

The shareholding pattern of the Company as at 31 December 2014 is as stated below:

Shareholders	Number of holdings	Percentage of holdings (%)
Nigerian Sovereign Investment Authority	400,000,000	23
Ministry of Finance Incorporated	300,000,000	17
Aso Savings & Loans Plc	125,000,000	7
FHA Homes Ltd	125,000,000	7
Homebase Mortgage Bank Limited	125,000,000	7
TrustBond Mortgage Bank Plc	125,000,000	7
Sterling Bank Plc	75,000,000	4
Abbey Mortgage Bank Plc	50,000,000	3
Access Bank Plc	50,000,000	3
Imperial Homes Bank Limited	50,000,000	3
Resort Savings & Loans	50,000,000	3
Heritage Bank Ltd	37,500,000	2
Haggai Mortgage Bank Ltd	25,000,000	1
Infinity Trust Mortgage Bank	25,000,000	1
Jubilee Life Savings & Loans	25,000,000	1
MayFresh Mortgage Bank Limited	25,000,000	1
New Prudential Mortgage Bank Limited	25,000,000	1
Nigeria Police Mortgage Bank	25,000,000	1
Platinum Mortgage Bank Limited	25,000,000	1
Refuge Home Savings & Loans	25,000,000	1
Stanbic IBTC Investment	25,000,000	1
SunTrust Savings & Loans	25,000,000	1
	1,762,500,000	100

Range	Number of Shareholders	% of Shareholders	Number of Holdings	% of Shareholdings
1,000,000- 50,000,000	15	68	487,500,000	28
50,000,001-100,000,000	1	4.55	75,000,000	4
100,000,001-500,000,000	6	27.27	1,200,000,000	68
TOTAL	22	100	1,762,500,000	100

(f) Property and equipment

The information relating to property and equipment is given in Note 8 to the financial statements. In the opinion of the directors, the net realisable value of the property and equipment is not less than the value shown in the financial statements.

(g) Donations and charitable gifts

The Company made no donations to charitable or other organisations during the year.

(h) Employment and employees

The Company had four (4) employees during the year and it was yet to commence operations as at 31 December 2014.

(i) **Events after the reporting date**

On 18 February 2015, the Company obtained its operational license from the Central Bank of Nigeria and has notified the Central Bank of Nigeria of its intention to commence operations immediately. There are no other subsequent events which could have had material effect on the financial position of the Company as at 31 December 2014, which have not been adequately provided for or disclosed.

(j) **Auditors**

The Auditors, KPMG Professional Services, have indicated their willingness to continue in office as auditors.

BY ORDER OF THE BOARD,

DETAIL NOMINEES

FOR AND ON BEHALF OF
Detail Nominees
Company Secretary
FRC/2014/00000004789
8 DCS Street
Lekki Phase 1, Lagos

15 May 2015

Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2014

The directors accept responsibility for the preparation of the financial statements and other financial information set out on pages 10 to 33 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Uche Orji	Professor Charles Inyangete
Director	Chief Executive Officer
FRC/2014/IODN/00000007036	FRC/2015/ICENNIG/00000011653
15 May 2015	15 May 2015

Report of the audit committee

for the year ended 31 December 2014

To the members of **Nigeria Mortgage Refinance Company Plc:**

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Nigeria Mortgage Refinance Company Plc hereby report on the financial statements for the year ended 31 December 2014 as follows:

- We have exercised our statutory functions under section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Company are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2014 were satisfactory and reinforce the Company's internal control systems.
- We have deliberated on the findings of the external auditors who have confirmed that necessary cooperation was received from management in the course of their final audit and we are satisfied with management's responses thereon and with the effectiveness of the Company's system of accounting and internal control.

Mr. Uche Orji
Chairman, Audit committee
FRC/2014/IODN/00000007036
15 May 2015

Members of the Audit Committee are:

1.	Mr. Uche Orji	Shareholder	Chairman
2.	Dr. Femi Johnson	Director	Member
3.	Mr. Hassan Usman	Director	Member

KPMG

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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234 (1) 271 8599
Fax 234 (1) 271 0540
Internet www.kpmg.com/ng

Independent Auditor's Report

To the Members of **Nigeria Mortgage Refinance Company Plc**

Report on the Financial Statements

We have audited the accompanying financial statements of Nigeria Mortgage Refinance Company Plc ("the Company") which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 32.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, the relevant Central Bank of Nigeria circulars and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 audit opinion.

Opinion
In our opinion, these financial statements give a true and fair view of the financial position of Nigeria Mortgage Refinance Company Plc ("the Company") as at 31 December 2014, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the statement of financial position and the statement of comprehensive income are in agreement with the books of account.

Signed:

Akinyemi J. Ashade, FCA
FRC/2013/ICAN/00000000786
For: KPMG Professional Services
Chartered Accountants
21 May 2015
Lagos, Nigeria.

Statement of financial position

as at 31 December 2014

In Naira	Note	December 2014	December 2013
Assets			
Cash and cash equivalents	6	10,502,374,604	-
Other assets	7	50,369,351	63,736,457
Property and equipment	8	72,144,273	-
Total assets		10,624,888,228	63,736,457
Liabilities			
Borrowings	9	3,509,402,871	80,124,265
Other liabilities	10	59,159,191	31,474,598
Total liabilities		3,568,562,062	111,598,863
Net assets/(liabilities)		7,056,326,166	(47,862,406)
Capital and reserves			
Share capital and share premium	11(a)	6,944,290,316	250,000
Retained earnings/(loss)	11(a)	112,035,850	(48,112,406)
Total equity		7,056,326,166	(47,862,406)
Total liabilities and equities		10,624,888,228	63,736,457

The audited financial statements were approved by the Board of Directors on 15 May 2015 and signed on its behalf by:

Mr. Uche Orji
Director
FRC/2014/IODN/00000007036

Professor Charles Inyangete
Chief Executive Officer
FRC/2015/ICENNIG/00000011653

Additionally certified by:

Kehinde Ogundimu
Chief Financial Officer
FRC/2015/ICAN/00000011195

The accompanying notes on pages 14 to 32 form an integral part of these financial statements

Statement of comprehensive income
for the year ended 31 December 2014

In Naira	Note	**31 December 2014 12 months**	**31 December 2013 6 months**
Gross earnings		732,916,979	-
Interest income	12	685,540,510	-
Grant income	13	47,376,469	-
Total income		732,916,979	-
Interest expense	14	(117,256,325)	(2,025,457)
Depreciation	8	(17,873,356)	-
Personnel expenses	15	(21,414,982)	-
Other expenses	16	(416,224,060)	(46,086,949)
Profit/(Loss) before income tax		160,148,256	(48,112,406)
Income tax expense	17	-	-
Profit/(Loss) for the year/ period		160,148,256	(48,112,406)
Other comprehensive income, net of income tax		-	-
Total comprehensive profit/(loss) for the year/ period		160,148,256	(48,112,406)
Profit/(Loss) attributable to:			
Equity holders of the Company		160,148,256	(48,112,406)
Profit/(Loss) for the year/ period		160,148,256	(48,112,406)
Total comprehensive profit/(loss) attributable to:			
Equity holders of the Company		160,148,256	(48,112,406)
Total comprehensive profit/(loss) for the year/ period		160,148,256	(48,112,406)
Earnings/(Loss) per share (Basic and diluted)- kobo	18	55	(19,245)

The accompanying notes on pages 14 to 32 form an integral part of these financial statements

Statement of changes in equity

For the year ended 31 December 2014

	Share capital	Share premium	Retained loss	Total
	₦	₦	₦	₦
Total comprehensive loss for the period	-	-	(48,112,406)	(48,112,406)
Total comprehensive loss	-	-	(48,112,406)	(48,112,406)
Transactions with owners of the Company recognised directly in equity:				
Shares issued	250,000	-	-	250,000
Balance at 31 December 2013	**250,000**	-	**(48,112,406)**	**(47,862,406)**

	Share capital	Share premium	Retained earnings/ (loss)	Total
	₦		₦	₦
Balance at 1 January 2014	250,000	-	(48,112,406)	(47,862,406)
Total comprehensive income for the year	-	-	160,148,256	160,148,256
Total comprehensive income	-	-	160,148,256	160,148,256
Transactions with owners of the Company recognised directly in equity:				
Shares issued during the year (see note 11)	1,762,500,000	5,181,790,316	-	6,944,290,316
Shares relinquished during the year (see note 11)	(250,000)	-	-	(250,000)
Balance at 31 December 2014	**1,762,500,000**	**5,181,790,316**	**112,035,850**	**7,056,326,166**

The accompanying notes on pages 14 to 32 form an integral part of these financial statements

Statement of cash flows

for the year ended 31 December 2014

	Notes	December 2014 ₦	December 2013 ₦
Cash flows from operating activities			
Profit/(Loss) for the year/ period		160,148,256	(48,112,406)
Adjustments for:			
Interest income	12	(685,540,510)	-
Grant income	13	(47,376,469)	-
Interest expense	14	117,256,325	2,025,457
Depreciation	8	17,873,356	-
Income tax expenses	17	-	-
		(437,639,042)	(46,086,949)
Changes in:			
Other assets		13,117,106	(63,486,457)
Other liabilities		27,684,594	31,474,598
		(396,837,342)	(78,098,808)
Interest income		685,540,510	-
Net cash flows from/(used in) operating activities		288,703,168	(78,098,808)
Cash flows from investing activities			
Acquisition of property and equipment	8	(90,017,629)	-
Net cash flows used in investing activities		(90,017,629)	-
Cash flows from financing activities			
Interest paid		(72,458,712)	(2,025,457)
Net increase in borrowings		3,511,981,727	-
Proceeds from shares issued during the year	11	6,944,290,316	-
Net cash flows from financing activities		10,383,813,330	(2,025,457)
Net decrease in cash and cash equivalents		10,582,498,869	(80,124,265)
Cash and cash equivalents, beginning of period		(80,124,265)	-
Cash and cash equivalents, end of year/ period	6	10,502,374,604	(80,124,265)

The accompanying notes on pages 14 to 32 form an integral part of these financial statements

Notes to the financial statements
for the period ended 31 December 2014

1 Reporting entity

Nigeria Mortgage Refinance Company Plc ("the Company") is a public liability company incorporated in Nigeria on June 24, 2013 under the Companies and Allied Matters Act (CAMA). The address of the Company's corporate office is 1386A, Tigris Crescent, Maitama, Abuja. The Company is primarily involved in provision of long term funds to eligible mortgage lenders by issuing long term bonds in the Nigerian financial market and refinancing, securitising or purchasing mortgage loans.

2 Basis of preparation

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements were authorised for issue by the Board of Directors on 15 May 2015.

(b) *Basis of measurement*

These financial statements are prepared on the historical cost basis.

(c) *Functional and presentation currency*

The financial statements are presented in Naira, which is the Company's functional currency. Except where indicated, financial information presented in Naira has been rounded to the nearest unit.

(d) *Use of estimates and judgments*

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

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

Information about significant areas of estimation, uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4(f) financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied in preparing these financial statements, which materially affect the measurement of loss and the financial position.

3.1 Financial Instruments

(a) ***Initial recognition***

(i) Classification

The Company classifies its financial assets as loans and receivables and financial liabilities as other financial liabilities.

(ii) Recognition

All financial instruments are initially recognized at fair value, which includes directly attributable transaction costs for financial instruments not classified as fair value through profit and loss. Financial instruments are derecognized when the rights to receive cash flows from the financial instruments have expired or where the Company has transferred substantially all risks and rewards of ownership.

(b) *Subsequent measurement*

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

(i) Loans and receivables

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

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Transaction costs that are integral to the effective rate are capitalised to the value of the loan and receivable and amortised through interest income as part of the effective interest rate. The Company's other assets are included in the loans and receivable category.

(ii) Other financial liabilities

Other financial liabilities include borrowing and other liabilities and are measured at amortised cost.

(c) *Impairment of financial assets*

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

The following factors are considered in assessing objective evidence of impairment:

• evidence of default of contractual payment terms;

• if there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a financial assets, although the decrease cannot yet be identified with specific individual financial assets.

If there is objective evidence that an impairment loss on a receivable has been incurred, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The amount of the loss is the difference between the receivable's carrying amount and the present value of the estimated cash flows expected to be received on the receivable. For receivables that are not specifically impaired, the impairment is based on the portfolio's historical loss rate.

(d) *Offsetting financial instruments*

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs or for gains and losses arising from a group of similar transactions.

(e) ***Derecognition***

(i) Financial assets

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

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

(ii) Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

3.2 Property and equipment

(a) Recognition and measurement

Property, plant & equipment are stated at cost of acquisition less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. If significant parts of a property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

(b) Depreciation

Depreciation will be charged on the fixed assets on a straight line basis, at the following annual rates that are eliminated to write off the cost of the assets over the expected useful lives of the assets concerned.

Class of Assets	**Rate**
Office equipment	25 %
Furniture and fittings	25 %
Computer equipment	25 %
Motor vehicle	25 %
Leasehold improvement	25 %

3.3 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

3.4 Interest income and expense

Interest income and expense are recognised in profit or loss 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 Company 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. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Interest income and expense presented in the statement of comprehensive income include:
- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.

3.5 Grant income

The interest free loan from the government is recognized and measured in line with IAS 39 which requires loans at below market to be initially measured at fair value (i.e. the present value of the future cash flows discounted at a market interest rate) and interest expense to be recognized on the loan subsequently under the effective interest rate method. The benefit, that is the government grant, is measured as the difference between the fair value of the loan on initial recognition and the amount received.

3.6 Other liabilities

The Company recognises and measures other liabilities at cost.

3.7 Share capital

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

3.8 Earnings/(loss) per share

The Company presents basic and diluted earnings/(loss) per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share (EPS) is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.9 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 New standards and interpretations not yet adopted

The following new or revised standards and amendments which may have potential impact on the Company are not yet effective for the year ended 31 December 2014 and have not been applied in preparing these financial statements. These standard will not have impact on the Company as the Company is yet to commence operations.

Pronouncement	Title	Effective Date
IFRS 9(Amended)	**Financial Instruments** On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard is expected to have a significant impact on the Company given the nature of the Company's operations, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model of IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company. Management does not plan to early adopt this IFRS.	Annual periods beginning on or after 1 January 2018.

4 Financial risk management

(a) Introduction and overview

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

This note presents information about the Company's exposure to financial risks and the Company's management of capital. The Company has minimal exposure to the following risks from financial operations:

- Credit risk
- Liquidity risk

(b) Credit risk

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations resulting in a default situation and/or financial loss. The Company's major exposure to credit risk emanates from its receivables.

(i) Exposure to Credit Risk

The carrying amount of the financial assets which represent the maximum exposure to credit risk at the reporting date was as follows:

	Note	31 December 2014	31 December 2013
Cash and cash equivalents	6	10,502,374,604	80,124,265
Other assets	7	22,000,000	250,000

(c) Liquidity risk

Liquidity risk is the potential loss arising from the Company's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other Company's risks such as credit, market and operational risks.

The maturity profiles of financial instruments at 31 December were as follows:

31 December 2014

In thousands of Naira	Note	Carrying amount	Gross nominal inflow	Less than 3 months	6 months	12 months	5 years	More than 5 years
Non-derivative assets								
Cash and cash equivalents	6	10,502,375	10,502,375	7,614,916	-	2,887,459	-	-
Other assets	8	22,000	22,000	2,000	20,000	-	-	-
Total risk asset		10,524,375	10,524,375	7,616,916	20,000	2,887,459	-	-
Non-derivative liabilities								
Borrowings	9	3,509,403	3,509,403	347,421	-	-	-	3,161,982
Other liabilities	10	26,034	26,034	26,034	-	-	-	-
Total risk liabilities		3,535,437	3,535,437	373,455	-	-	-	3,161,982
Gap -assets/(liabilities)		6,988,938	6,988,938	7,243,461	20,000	2,887,459	-	(3,161,982)
Cumulative liquidity gap		-	-	7,243,461	7,263,461	10,150,920	10,150,920	6,988,938

31 December 2013

In thousands of Naira	Note	Carrying amount	Gross nominal inflow	Less than 3 months	6 months	12 months	5 years	More than 5 years
Non-derivative assets								
Receivables	8	250	250	-	-	250	-	-
Total risk asset		250	250	-	-	250	-	-
Non-derivative liabilities								
Borrowings and overdrafts	9	80,124,265	80,124,265	80,124,265	-	-	-	-
Other liabilities	10	31,474,598	31,474,598	31,474,598	-	-	-	-
Total risk liabilities		111,598,863	111,598,863	111,598,863	-	-	-	-
Gap -assets/(liabilities)		(111,598,613)	(111,598,613)	(111,598,863)	-	250	-	-
Cumulative liquidity gap		-	-	(111,598,863)	(111,598,863)	(111,598,613)	(111,598,613)	(111,598,613)

(d) Currency risk

The Company is minimally exposed to the financial risk related to the fluctuation of foreign exchange rates. This is so because its expenditures are principally based in Naira. A significant change in the exchange rates between the Naira(N) (functional and presentation currency) relative to the US dollar would have an insignificant effect on the Company's financial position. The Company does not enter into any forward exchange contracts to manage the currency risk fluctuations.

The table below summaries the Company's financial instruments at carrying amount, categorised by currency:

Financial instruments by currency	*Note*	**Total**	**Naira**	**US $**	**GBP**	**Others**
31 December 2014						
Cash and cash equivalents	6	10,502,375	10,502,375	-	-	-
Other assets	8	22,000	22,000	-	-	-
		10,524,375	10,524,375	-	-	-
Borrowings	9	3,509,403	3,509,403	-	-	-
Other liabilities	10	26,034	26,034	-	-	-
		3,535,437	3,535,437	-	-	-
31 December 2013						
Receivables	8	250,000	250,000	-	-	-
		250,000	250,000	-	-	-
Borrowings	8	80,124,265	80,124,265	-	-	-
Other liabilities	9	31,474,598	31,474,598	-	-	-
		111,598,863	111,598,863	-	-	-

(e) Capital management

The Nigeria Mortgage Refinance Company Plc is required to hold a minimum capital of N5 billion as determined by its regulator. The Mortgage Refinance Company is directly supervised by the Central Bank of Nigeria (CBN). Central Bank of Nigeria sets and monitors capital requirements for the Company. In implementing current capital requirements, Central Bank of Nigeria requires the Mortgage Refinance Company to maintain a ratio of 10% of total capital to total risk-weighted assets.

The Nigeria Mortgage Refinance Company's regulatory capital includes:

(i) Tier 1 capital, which includes paid-up share capital, share premium reserves, retained earnings, other reserves, published current earnings after deduction of goodwill, intangible assets and identified losses or as otherwise defined by the Central Bank of Nigeria for licensed financial institutions.

(ii) Tier 2 capital, which includes subordinate debts and revaluation reserves

The Nigeria Mortgage refinance Company shall maintain at all times a minimum ratio of qualifying capital to the value of its risk-weighted assets of not less than 10%.

Risk weighted assets are derived based on a two level pre-defined risk weights for different asset classes, specifically:

- 0% for cash and near cash equivalents
- 100% for all on-balance sheet exposures

The table below shows the break-down of the Company's regulatory capital for the years ended 31 December 2014, the prior year comparative could not be ascertained as the Company was in the process of complying with the capital requirement. The capital adequacy ratio has been computed in line with Basel II rule which came in force in December 2014 and has been prospectively applied.

CAPITAL ADEQUACY COMPUTATION:

	31 December 2014	31 December 2013
Tier 1 Capital		
Share capital	1,762,500,000	-
Share premium	5,181,790,316	-
Retained earnings	112,035,850	-
Less:		
Intangible assets	-	-
	7,056,326,166	-
Tier 2 Capital		
Subordinated term debt (limited to 25% of total Tier 1 capital)	1,764,081,541	-
	1,764,081,541	-
Total Regulatory Capital	8,820,407,707	-
Risk weighted assets		-
Risk-weighted amount for credit risk	122,513,624	-
Risk-weighted amount for operational risk	-	-
Risk-weighted amount for Market risk	-	-
Total weighted risk assets	122,513,624	-
Capital Adequacy Ratio (CAR)	7200%	-

The Company's capital adequacy ratio was 7200% as at 31 December 2014 which was above CBN capital adequacy requirements of 10%.

4(f) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS 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 recognised in the period in which the estimates are revised and in any future periods affected.

Management discusses with the Audit Committee the development, selection and disclosure of the Company's critical accounting policies and their application and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see Note 4).

Key sources of estimation uncertainty

(i) *Allowances for credit losses*

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policy.

The specific counterparty component of the total allowances for impairment applies to assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counter party's financial situation and then assesses each impaired asset on its merits.

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

(ii) *Determining fair values*

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

(iii) *Valuation of financial instruments*

The Company's accounting policy on fair value measurements is discussed under note 3.

The Company measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using inputs that are not based on observable market data, i.e., unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(iv) *Determination of impairment of property and equipment*

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

(v) *Income Taxes*

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(vi) *Depreciation and carrying value of property and equipment*

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

(vii) *Deferred tax*

The Company recognizes deferred tax assets based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Company will have future taxable profits against which these assets can be used.

5 Financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values.

31 December 2014

In Naira	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	10,502,374,604	-	10,502,374,604	10,502,374,604
Other assets	22,000,000	-	22,000,000	22,000,000
	10,524,374,604	-	10,524,374,604	10,524,374,604
Borrowing	-	3,509,402,871	3,509,402,871	3,509,402,871
Other liabilities	-	26,034	26,034	26,034
	-	3,509,428,905	3,509,428,905	3,509,428,905

31 December 2013

In Naira	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Receivable	250,000	-	250,000	250,000
	250,000	-	250,000	250,000
Overdraft	-	80,124,265	80,124,265	80,124,265
Other liabilities	-	31,474,598	31,474,598	31,474,598
	-	111,598,863	111,598,863	111,598,863

The carrying amount of receivables, overdraft and other liabilities are reasonable approximations of fair value, thus, the carrying amounts are disclosed as fair values.

6 Cash and cash equivalents

In Naira	31 December 2014	31 December 2013
Cash balances with bank	276,148,849	-
Money market placement	2,887,458,610	-
Share capital deposit with Central Bank of Nigeria	7,338,767,145	-
Cash and cash equivalents	10,502,374,604	-
Bank overdraft used for cash management purposes (see note 9)	-	80,124,265
Cash and cash equivalents for cash flow purposes	10,502,374,604	80,124,265

As at the reporting date, the Company had a balance of N7.33 billion with the Central Bank of Nigeria; representing share capital deposit of N7.05 billion fund received from investors who invested in the shares of the Company and the interest accrued on the fund.

7 Other assets

In Naira	31 December 2014	31 December 2013
Due from shareholders (see note (i) below)	-	250,000
Prepaid rent	22,407,407	22,407,408
Other prepaid expenses	5,961,944	9,594,444
Deposit for purchase of property and equipment	-	31,484,605
Advances	22,000,000	-
	50,369,351	63,736,457

(i) Amount represents the nominal value of the Company's shares allotted to the shareholders. The pioneer shareholders of the Company relinquished these shares with effect from the conclusion of the Board meeting at which allotment of shares were made to the new investors.

8 Property and equipment

	Computer Equipment ₦	Office Equipment ₦	Leasehold Improvements ₦	Furniture and fittings ₦	Motor Vehicle ₦	Total ₦
Cost						
Balance, beginning of year	-	-	-	-	-	-
Additions	20,637,933	5,354,800	17,472,000	23,552,896	23,000,000	90,017,629
Balance, end of year	20,637,933	5,354,800	17,472,000	23,552,896	23,000,000	90,017,629
Accumulated depreciation						
Balance, beginning of year	-	-	-	-	-	-
Charge for the year	4,251,788	990,148	4,296,197	5,783,168	2,552,055	17,873,356
Balance, end of year	4,251,788	990,148	4,296,197	5,783,168	2,552,055	17,873,356
Net book value						
At 31 December 2014	16,386,145	4,364,652	13,175,803	17,769,728	20,447,945	72,144,273
At 31 December 2013	-	-	-	-	-	-

9 Borrowings

In Naira	31 December 2014	31 December 2013
Overdraft from ASO Savings and Loans Plc (see note (i)	-	80,124,265
Bridge finance from the Federal Government (see note (ii)	347,421,145	-
Borrowings from World Bank (see note (iii) below)	3,161,981,726	-
	3,509,402,871	80,124,265

(i) The Company obtained an overdraft facility from ASO Savings and Loans Plc on 9 December 2013 with a limit of N150 million. The interest rate and management fee on the overdraft facility are 17% and 1% respectively. The tenor of the loan is 6 months from the date of drawdown. During the year, the Company liquidated the overdraft facility.

(ii) Bridge finance from Federal Government represents zero interest rate loan obtained from the Federal Government of Nigeria during the year. The loan, with maturity date of 15 January 2015, was disbursed at a zero percent interest rate. The principal amount disbursed to the Company during the year was N350,000,000 on 27 March 2014. The loan was carried in the Company's books at fair value at inception and interest expense recognised subsequently at a market rate of 18%. The excess of amount disbursed and the fair value at the inception of the loan was recognised as grant income (see note 13).

(iii) Borrowings from World Bank represents an International Development Agency (IDA) facility granted to the Federal Republic of Nigeria for the funding of the Housing Finance Programme which was received by Nigeria Mortgage Refinance Company Plc through the Central Bank of Nigeria (CBN) on 27 June 2014. The purpose of the loan is to establish a mortgage liquidity facility. The loan is tenured 40 years (maturity on May 13, 2053) from the date of commencement at an interest rate of 0.75% per annum plus the forex hedge rate of 3.5% for the duration of the loan. Interest shall accrue daily and is payable on the loan semi-annually in arrears on each payment date during the tenor of the loan (May 13 and November 13).

10 Other liabilities

In Naira	31 December 2014	31 December 2013
Accrued expenses	33,125,557	5,000,000
Withholding tax payable	12,027,801	3,422,222
Value added tax payable	5,053,715	488,889
Due to Dunn Loren Merrifield	620,000	22,563,487
Other account payable	4,395,505	-
Pension contribution payable	846,991	-
NHF payable	68,121	-
PAYE payable	3,021,501	-
	59,159,191	31,474,598

11 Capital and reserves

(a) Share capital and share premium

In Naira	31 December 2014	31 December 2013
(i) *Authorised:*		
8,500,000,000 ordinary shares of N1.00 each	8,500,000,000	1,000,000
(ii) *Issued and fully paid:*		
1,762,500,000 ordinary shares of N1.00 each	1,762,500,000	-
(iii) *Issued but not fully paid:*		
250,000 ordinary shares of N1.00 each	-	250,000

(iv) *Share Premium*

Share Premium is the excess paid by shareholders over the nominal value of their shares.

In Naira	31 December 2014	31 December 2013
1,762,500,000 ordinary shares issued at a premium of N3.00 each	5,287,500,000	-
Share issue costs	(105,709,684)	-
	5,181,790,316	-
Share capital and share premium	6,944,290,316	250,000

During the year, the Company issued 1,762,500,000 ordinary shares of N1 each at N4 per shares.

(b) Retained earnings/ (loss)

In Naira	31 December 2014	31 December 2013
Balance, beginning of year	(48,112,406)	-
Transfer from statement of comprehensive income	160,148,256	(48,112,406)
Balance, end of year	112,035,850	(48,112,406)

12 Interest income

In Naira	31 December 2014 12 months	31 December 2013 6 months
Cash and cash equivalents	685,540,510	-
	685,540,510	-

13 Grant income

In Naira	31 December 2014 12 months	31 December 2013 6 months
Grant income (see note (i) below)	47,376,469	-
	47,376,469	-

(i) Grant income represents the benefit received by the Company from the Federal Government of Nigeria in the form of interest free loan. The benefit represents the difference between the loan amount received from the Government and fair value of the loan at market rate on inception of the loan.

14 Interest expense

In Naira	31 December 2014 12 months	31 December 2013 6 months
Interest expense on borrowing	117,256,325	2,025,457
	117,256,325	2,025,457

15 Personnel expenses

In Naira	31 December 2014 12 months	31 December 2013 6 months
Salaries and allowances	20,944,431	-
Employer pension	470,551	-
	21,414,982	-

16 Other expenses

In Naira	31 December 2014 12 months	31 December 2013 6 months
Service charge/Legal fees	6,875,000	672,223
General admin expenses	4,830,749	-
Audit fee	8,070,000	5,000,000
Rent	24,648,148	2,037,037
Bank charges	1,536,402	329,195
Utility and Electricity	2,839,708	-
Advertisement	1,157,939	-
Insurance	287,500	-
IT cost	1,480,100	-
Professional fees	83,644,035	-
Accomodation expenses	3,374,910	-
Stationery and Printing	1,309,190	-
Recruitment expense	32,384,632	-
Entertainment	2,023,050	-
Website & email cost	2,389,261	-
Company secretary fees	11,500,000	-
FIRS filing	3,743,000	-
Subscription	98,450	-
Office set-up	456,489	-
Board meeting expenses	500,000	-
Media launch expenses	16,492,150	26,066,856
Flight & transportation	11,989,669	3,729,338
Hotel accommodation	8,829,678	8,113,300
CAC filling fees	184,990,000	29,000
Stamping expenses	774,000	10,000
CBN license fees	-	100,000
	416,224,060	46,086,949

17 Income tax expense

(a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods. However, income tax expense during the year is nil as the Company does not have any taxable income. Also, the Company is not liable to pay minimum tax as the Company is yet to commence operations.

(b) Deferred tax

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

The deferred tax assets of Nigeria Mortgage Refinance Company which relates primarily to timing difference in the recognition of depreciation and capital allowances on property and equipment, and unrelieved tax losses were not recognized in these financial statements. This is due to the uncertainty about the availability of future taxable profits against which deferred tax assets can be utilized.

The unrecognized deferred tax asset during the year is attributable to the following:

In Naira	**31 December 2014**	**31 December 2013**
Property and equipment	5,362,007	-
Unrelieved tax losses	60,223,712	14,425,022
	65,585,719	14,425,022

The movement in the unrecognized deferred tax asset during the year was as follows:

In Naira	**31 December 2014**	**31 December 2013**
Balance, beginning of year	14,425,022	-
Credit for the year	51,160,697	14,425,022
Balance, end of year	65,585,719	14,425,022

18 Earnings/ (Loss) per share (Basic and diluted)- kobo

(a) Basic earnings/ (loss) per share

Basic earnings/ (loss) per share is calculated by dividing the earnings/ (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

(i) ***Weighted average number of ordinary shares***

In units of shares	**31 December 2014**	**31 December 2013**
Ordinary shares as at 1 January	250,000	-
Shares relinquished during the year	(250,000)	-
Effect of ordinary shares issued during the year	293,750,000	250,000
Weighted average number of ordinary shares	293,750,000	250,000

(ii) ***Profit/(Loss) attributable to equity holders***

In Naira	**31 December 2014**	**31 December 2013**
Profit/(Loss) for the year attributable to equity holders	160,148,256	(48,112,406)
Earnings/(Loss) per share - kobo	55	(19,245)

(b) The Company does not have any dilutive potential ordinary shares. Therefore, basic earnings/(loss) per share and diluted earnings/ (loss) per share are the same for the Company.

19 Contravention of laws and regulations

The Company did not pay any penalties in respect of contraventions of the provisions Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars during the year ended 31 December 2014.

20 Contingent liabilities

There was no litigation or claims against the Company as at the year end. There were also no contingent liabilities not disclosed in these financial statements as at year end.

21 Related party transactions

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

(a). Key management personnel compensation

Compensation of the Company's key management personnel comprises:

	31 December 2014	31 December 2013
Short-term employee benefits	13,531,092	-
Post-employment benefits:		
Contributions to defined contribution plans	318,746	-
	13,849,838	-

(b). Transactions with shareholders

During the year ended 31 December 2014, the following transactions ensued between the Company and the Access Bank Nigeria Plc, one of the shareholders of the Company:

	31 December 2014	31 December 2013
Placement with Access Bank Plc	3,094,600,000	-
Current account balance with Access Bank Plc	276,148,849	-
Interest income from placement with Access Bank Plc	159,123,596	-

22 Five year financial summary

The Company has not presented a five year financial summary as it is yet to commence operations as at 31 December 2014.

23 Events subsequent to reporting date

On 18 February 2015, the Company obtained its operational license from the Central Bank of Nigeria and has notified the Central Bank of Nigeria of its intention to commence operations immediately.

There are no other subsequent events which could have had material effect on the financial position of the Company as at 31 December 2014, which have not been adequately provided for or disclosed.

Other financial information

Value added statement
for the year ended 31 December 2014

	December 2014	%	December 2013	%
Gross earnings	732,916,979		-	
Bought-in materials and services - Local	(416,224,060)		(48,112,406)	
Value added	316,692,919	100	(48,112,406)	(100)
Applied to pay:				
To providers of finance				
Interest expense on borrowings	117,256,325	37	-	-
To employees				
Personnel expenses	21,414,982	7	-	-
To the Government				
Taxation	-	-	-	-
Retained in the business:				
Depreciation	17,873,356	6	-	-
Profit/(loss) for the year	160,148,256	50	(48,112,406)	(100)
Value added	316,692,919	100	(48,112,406)	(100)

The information in this section is a summary of certain provisions of the Deed of Guarantee. This summary should be read in conjunction with and is qualified in its entirety by reference to all provisions of the Deed of Guarantee. Copies of the Deed of Guarantee are available for inspection at the registered office of the Issuing House. Unless defined in this section, terms used in this section have the meaning given to them elsewhere in this Prospectus, or in the Deed of Guarantee.

The **GUARANTEE** is given by the **FEDERAL GOVERNMENT OF NIGERIA** in favour of **STANBIC IBTC TRUSTEE LIMITED** in consideration of the **NIGERIA MORTGAGE REFINANCE COMPANY PLC**. Issuing the Notes and subject to the terms and conditions set out herein.

2. THE GUARANTEE

2.1 Guarantee

2.1.1 In consideration of the payment of the Guarantee Fee (as defined in clause 5.1 below) and the issuance of the Notes by the Issuer, the Guarantor hereby unconditionally and irrevocably guarantees to the Trustee for the benefit of the Noteholders, by way of revolving and continuing guarantee the due and punctual observance and performance by the Issuer of all its payment obligations in respect of all and any sums (including the principal and interest) due and payable by the Issuer under, arising from or in relation to Notes issued by NMRC for an amount not exceeding the Guarantee Amount ("the Guarantee").

2.1.2 The Guarantor hereby agrees to pay all costs, fees, and expenses (including, without limitation, reasonable fees of outside counsel) incurred by the Trustee in enforcing this Guarantee. Each payment by the Guarantor under this Guarantee shall, except as required by law, be made without withholding or deduction for or on account of any taxes. If any taxes are required to be withheld or deducted from any such payment, the Guarantor shall pay such additional amounts as may be necessary to ensure that the net amount actually received by the Trustee after such withholding or deduction is equal to the amount the Trustee would have received had no such withholding or deduction been required.

2.1.3 The Guarantee may be called by the Trustee from time to time and the Guarantor shall procure that the Paying Agent makes such payment to the Trustee whenever a Claim is made by the Trustee.

2.1.4 The Trustee may assign or transfer all or any parts of its rights under this Guarantee upon giving not less than thirty (30) Business Days' notice in writing to the Guarantor and the Issuer.

2.2 Waiver of Defences

The obligations of the Guarantor under this Deed shall be absolute and unconditional (in accordance with the terms of this Agreement), and shall be in addition to and not in substitution for any other rights which the Trustee may have against the Issuer or the Guarantor and shall remain in full force and effect until all the covenants, terms, and Deeds set forth in the Trust Deed shall have been completely discharged and performed, unless waived by the Trustee in writing. The Guarantor hereby acknowledges and undertakes that its obligations shall not be modified or impaired or discharged upon the happening from time to time of any of the following events:

2.2.1 the extension of time for payment of any amounts due or the extension of time for performance of any of the covenants terms, or performance of the Deeds of the Issuer set forth in the Trust Deed;

2.2.2 amendments to the Trust Deed, as the case may be;

2.2.3 the failure, omission, or delay of the Trustee to enforce, ascertain, or exercise any right, power, or remedy under or pursuant to the terms of the Trust Deed or this Deed;

2.2.4 the bankruptcy, insolvency, or other failure or financial disability of the Issuer;

2.2.5 the addition, or partial or entire release of any guarantor, maker, or other party (including the Issuer) primarily or secondarily responsible for the performance of any of the covenants, terms, or Deeds set forth in the Trust Deed, or by any extension, waiver, amendment, or thing or circumstance whatsoever in law or in equity that may release or create a defence or discharge for a guarantor (other than complete performance in accordance with the terms of the Trust Deed):

2.2.6 any failure of the Issuer, Trustee and or the Guarantor to comply with the requirements of any law, regulation or order.

2.3 **Continuing Guarantee**

2.3.1 The Guarantee shall be an unconditional and continuing security and, accordingly, shall extend to cover any amounts due and outstanding to the Noteholders from time to time, under the Trust Deed and in respect of the Notes.

2.3.2 The Guarantor acknowledges that no Claim, demand or call made by the Trustee or satisfaction of any such demand or call so made by the Trustee on the Guarantee hereunder shall prejudice or restrict or discharge the right of the Trustee to make further or subsequent demands when otherwise permitted hereunder, provided that such initial demand or call, or subsequent demand or call relates to the Notes and is for an amount not exceeding the Guarantee Amount.

2.3.3 The Guarantor undertakes that further to 2.3.2 above, it shall continue to honour all Claims, demands or calls that may be made on the Guarantee by the Trustee from time to time; provided that such Claims, demands or calls do not exceed the Guarantee Amount.

2.4 **Additional Security**

2.4.1 This Guarantee shall be in addition to, and not in substitution for or derogation of, any other security that the Trustee may at any time hold in respect of the obligations of the Issuer under the Trust Deed.

2.4.2 The Trustee may enforce this Guarantee notwithstanding that it may hold any other guarantee, lien, or security of or for the obligation of the Issuer under the Trust Deed or that it may have available to it any other remedy at law or equity or under any applicable law.

2.5 **Preliminary Demand**

2.5.1 Notwithstanding that this Guarantee is the unconditional obligation of the Guarantor, the Trustee agrees that before taking steps to enforce the Guarantee and demand payment from the Guarantor, it shall first make demand in writing for payment from the Issuer and the Issuer shall have failed to make the payment within 10 Business Days of the payment or performance falling due. Following the failure of the Issuer to make payment, the Trustee may notify the Guarantor in writing that payment from the Issuer is past due and make a demand in writing in accordance with clause 2.6 for payment from the Guarantor under this Deed, and the Guarantor shall make payment of the amount due and payable from the Issuer that remains unpaid, in each case within five (5) Business Days of receipt by the Guarantor of such notice. Late payments hereunder shall attract interest at an annual rate equal to that established for late payment in the Trust Deed.

2.5.2 Except as provided in clause 2.5.1 above, the Trustee shall not be obliged before taking steps to enforce this Guarantee to exercise any other remedies that may be available to it under or in respect of the Trust Deed, or to obtain a judgment against Issuer thereon.

2.6 **Certification**

Any demand for payment made pursuant to this Deed shall be made in person by a duly authorized officer of the Trustee at the Guarantor's designated offices being the Federal Ministry of Finance, Central Business Area, Abuja and shall be accompanied by a statement by an authorized officer of the Trustee describing the basis for the demand in reasonable detail as prescribed in the form below:

> "We hereby certify that (1) [*Insert Name of Trustee*] ("the Trustee") is making this demand on the Federal Government Nigeria (the "Guarantor") in the amount of Naira [insert amount] in accordance with Clause 2.1 of the Deed of Guarantee, dated [*insert date*]], (2) the amount specified above is due and payable by the Issuer under the Trust Deed between the Trustee and the Issuer; (3) demand in writing for payment from the issuer was made on the date payment was due, and (4) such amount on the date hereof, remains unpaid by the Issuer."

2.7 **Subordination**

The Guarantor acknowledges and accepts that at any time the Issuer may have to indemnify it (the Guarantor) in respect of sums paid out by the Guarantor in performance of the Guarantee, its (Guarantor's) rights shall be subordinated to the rights of the Trustee to recover from the Issuer in full, all sums that may then be due and payable from Issuer under the Trust Deed.

2.8 **FGN Support Obligations**

Without prejudice to the foregoing, the Guarantor hereby undertakes to the Trustee, for the benefit of each of the Noteholders, that if, at any time, it is determined by the Issuer that there may be an Anticipated Payment Default, the Guarantor shall, upon the request of the Issuer no later than ten (10) days to the relevant due date for the payment of such principal or coupon, pay the Short Fall Amount, into an account designated by the Issuer.

3. **REPRESENTATION AND WARRANTIES**

3.1 The Guarantor represents and warrants that, as of the date hereof:

3.1.1 **Power and Authority**

The Guarantor has full power, authority and legal right to incur the obligations hereunder, to execute and deliver, to perform and observe the terms and provisions of this Deed.

3.1.2 **Legal Validity**

This Guarantee constitutes legal valid, binding and enforceable obligations of the Guarantor in accordance with its terms.

3.1.3 **Approvals**

All necessary actions have been taken, and all requisite approvals as prescribed under the laws of the Federal Republic of Nigeria to authorize the execution, delivery, and performance of this Guarantee have been duly obtained.

4. **RIGHT OF RECOURSE TO MORTGAGE POOL**

4.1 The Issuer agrees that where the Guarantee is called, the Guarantor shall have a right of recourse to the Mortgage Pool secured under the Security Deed and subject to any other agreement entered into by the issuer in connection with the note issuance programme;

4.2 Subject to the rights of any prior or preferential encumbrances or creditors to the Issuer, the Guarantor shall have priority in the application of the net proceeds of enforcement of any underlying mortgage properties relating to the Mortgage Pool.

5. **GENERAL**

5.1 **Guarantee Fee**

The Guarantor has entered into and issued this Guarantee in consideration of the agreed guarantee fee calculated at a rate of 10 per cent (%) per annum of the profit after tax of NMRC (the **Guarantee Fee**), payable annually by the NMRC to support the development of the Nigerian housing market in such manner as may be agreed in writing between the NMRC and the Federal Ministry of Finance.

5.2 **Binding Effect**

5.2.1 This Guarantee shall be binding upon the Guarantor and its assigns, and shall inure to the benefit of the Trustee, its successors and assigns.

5.2.2 The Guarantor agrees with the Trustee that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Trustee immediately within thirty (30) days of demand in writing against any cost, loss or liability it incurs as a result of the Issuer not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under the Trust Deed on the date when it would have been due. The amount payable by the Guarantor under this Clause 5.2.2 will not exceed the amount it would have had to pay under this Deed if the amount claimed had been recoverable on the basis of a guarantee.

5.3 **Duration**

5.3.1 This Guarantee shall remain in full force and effect from and after the First Issue Date, provided that the obligations of the Guarantor under this Guarantee shall continue to apply to any principal or coupon amounts due to the Noteholders in respect of all the Notes issued by NMRC until the maturity date of such Notes.

5.3.2 Notwithstanding the provisions of paragraph 5.3.1 above, the Guarantor may at its sole discretion extend the Guarantee Amount by issuing a notice (the **Guarantee Extension Notice**) substantially in the form set out in Schedule 1 hereto.

5.4 **Dispute Resolution**

5.4.1 Any dispute arising out of or in connection with this Deed, including any question regarding its existence, validity or termination (a "Dispute") shall be referred to and finally resolved by arbitration under the provisions of the Arbitration and Conciliation Act, Chapter A18, Laws of the Federation of Nigeria, 2004 ("the Act").

5.4.2 In relation to any Dispute between two Parties to this Agreement, the number of arbitrators shall be three (3) with each disputing Party appointing one arbitrator each and the third arbitrator, shall be jointly appointed by the arbitrators. In the event of a dispute amongst all Parties, the number of the arbitrators shall be one (1) to be appointed by the Chairman of the Chartered Institute of Arbitrators UK (Nigeria Branch).

5.4.3 The seat, or legal place, of arbitration shall always be, the Federal Capital Territory Abuja, Nigeria. If the Parties to the Dispute so agree in writing, any arbitration proceeding may be held in such other venue as may be mutually convenient.

5.4.4 The language of arbitration shall be English.

5.4.5 The award shall be rendered within three (3) months of the appointment of the arbitral tribunal, unless the parties agree that such limit be extended or the arbitral tribunal, considering the nature of the Dispute, determines that such limit must be extended in the interest of justice.

5.4.6 There shall be no hearing and the arbitral tribunal shall render its award on the basis of documents only, unless the Parties agree in writing that a hearing shall take place or the arbitral tribunal, considering the nature of the Dispute, determines that a hearing is required in the interest of justice.

5.4.7 The arbitral tribunal shall not be empowered to award punitive damages, and each Party hereby waives any right to seek or recover punitive damages with respect to any Dispute resolved by arbitration under this Clause 5.

5.5 **Waiver of Sovereign Immunity**

5.5.1 The Guarantor hereby irrevocably and unconditionally agrees that it is subject to suit and or arbitration in Nigeria and any other jurisdiction in the world with respect to its obligations hereunder, and that the execution, delivery and performance of this Deed constitute commercial acts of the Guarantor.

5.5.2 The Guarantor hereby irrevocably and unconditionally agrees that should any proceedings be brought against the Guarantor or its assets, other than its aircrafts, ships, naval vessels and other defence-related assets or assets protected by any applicable laws (the "Protected Assets") in connection with this Deed, no claim of immunity from such proceedings shall be claimed by or on behalf of the Guarantor on behalf or any of its assets (other than the Protected Assets).

5.5.3 The Guarantor waives any right of immunity, which it or any of its assets (other than the Protected Assets) now has or may in the future have in connection with any such proceedings.

5.5.4 The Guarantor consents generally in respect of the enforcement of any judgment or award against it in any such proceedings to the giving of any relief or the issue of any process in connection with such proceedings, including without limitation, the enforcement or execution against or in respect of any of its assets whatsoever (other than the Protected Assets) regardless of the use or intended use.

5.6 **Remedies Cumulative**

The rights and remedies of the Parties provided by this Deed are cumulative and not exclusive of any rights or remedies provided by law.

5.7 **Address for Notices**

Any notice to or demand on the Guarantor must be given in writing and may be:

(a) personally delivered and acknowledged; or
(b) sent through a reputable courier firm to the Guarantor as follows:

Honourable Minister of Finance,
Federal Ministry of Finance,
Central Business District,
Shehu Shagari Way,
Abuja.

The date on which any notice or demand hereunder is deemed to be given shall be:

(a) the date of actual delivery of such notice of demand to the office of the Minister, if delivered personally; and
(b) seven days after delivery by a reputable courier firm.

The Guarantor may change its address for the purpose hereby by notice to both the NMRC and the Trustee in the manner aforesaid as follows:

The Managing Director/Chief Executive Officer
Nigeria Mortgage Refinance Company
Wing A, 5th Floor
Pent House, Clans Place,
Plot 1386A, Tigris Crescent,
Maitama, Abuja.

The Trustee
Stanbic IBTC Trustees Limited
The Wealth House,
Plot 1678 Olakunle Bakare Close,
Off Sanusi Fafunwa Street,
Victoria Island, Lagos.

6. **NO WAIVER**

No failure or delay by the Trustee or the Issuer to exercise any right or remedy under this Deed shall constitute a waiver of that right or remedy. No single or partial exercise of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver by the Trustee or the Issuer shall be effective unless it is in writing.

7. **NO AGENCY**

This Deed is not intended to create, and shall not be construed to create an agency relationship between the parties, and no party shall be deemed to be an agent or representative of another party by virtue of this Deed. This Deed shall not constitute the Federal Ministry of Finance as agent or legal representative of the NMRC nor shall the Federal Ministry of Finance have the right or authority to assume, create or incur any liability or obligation, express or implied against, in the name of or on behalf of the NMRC.

8. **PARTIAL INVALIDITY**

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any applicable law, the legality, validity or enforceability of the remaining provisions of this Deed or of the said provision under any other applicable laws shall not in any way be affected or impaired thereby.

9. COUNTERPARTS

This Deed may be executed in any number of counterparts, each of which, when taken together shall constitute one and the same Deed.

10. GOVERNING LAW

This Guarantee is governed by and shall be construed in accordance with the laws of the Federal Republic of Nigeria and such rules of international law as may be applicable.

11. EXECUTION

This Deed of Guarantee is signed and executed by the Coordinating Minister for the Economy and Honourable Minister of Finance on behalf of the Federal Republic of Nigeria.

GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

Nigeria Mortgage Refinance Company Plc

Nigeria Financial Institution Analysis **May 2015**

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long-term	National	$BBB+_{(NG)}$	Stable	May 2016

Financial data:
(USD'm comparative)

NGN/USD (avg.)	n.a*
NGN/USD (close)	n.a
Total assets	n.a
Capital	n.a
Operating income	n.a
Profit after tax	n.a
Market cap.	n.a
Market share	n.a

*Not applicable

Rating history:

Initial/last rating (not applicable)
Long-term: first time/new rating
Short-term: first time/new rating
Rating outlook: first time/new rating

Related methodologies/research:

Criteria for Rating Banks and Other Financial Institutions, updated March 2015

Glossary of Terms/ Ratios (February 2015)

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Summary rating rationale

- The accorded rating is based on an assessment of Nigeria Mortgage Refinance Company Plc's ("NMRC" or "the company") proposed business model, financial projections and assumptions, and risk mitigation mechanisms. As such, a marked change in the envisioned model, and non-implementation of the proposed operational framework and risk protection mechanisms could impact negatively on the rating.
- NMRC enjoys a strong shareholder base, presently made up of two public sector-related entities (jointly accounting for 39.7% of the fully paid up capital) and 20 local financial institutions. The significant likelihood of state support for NMRC, as a public purpose entity, has been factored into the accorded rating.
- The rating also reflected the strong profile of members of NMRC's Board of Directors ("Board"), the majority of whom are executive management in owner institutions. Furthermore, the quality of the management team, in terms of its professional background and track record, was favourably considered.
- NMRC is well capitalised with total Tier I capital of N7.05bn as at 31 March 2015. In addition, the company has secured the commitment of the World Bank – International Development Association ("IDA") to inject Tier II capital of USD250m into the company. To date, USD20m has been disbursed to NMRC, while an additional USD100m is expected to be disbursed before 30 June 2015.
- Nevertheless, the accorded rating is significantly constrained by NMRC's lack of a financial track record, coupled with the untested operational processes.

Factors that could trigger a rating action may include

Positive change: Successful development of the company in line with the proposed business plan, achievement of forecasts, as well as establishment of a strong financial track record would be positively considered.

Negative change: A negative rating action may follow an underperformance of the financial projections, and evidence of management's inability to fully implement the proposed business plan and operational structure.

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Introduction

The Nigeria Mortgage Refinance Company ("NMRC") is a Public Private Partnership arrangement between the Federal Government of Nigeria and the private sector. It is being implemented as a component of the Nigeria Housing Finance Programme initiated by the Federal Ministry of Finance in collaboration with the Central Bank of Nigeria ("CBN"), Federal Ministry of Lands, Housing & Urban Development ("FMLHUD") and the World Bank/ IFC.

NMRC is a private sector driven company with the public purpose of developing the primary and secondary mortgage markets by raising long-term funds from the capital market and thereby providing access to affordable housing finance in Nigeria. NMRC was incorporated on 24th of June 2013 as Nigeria Mortgage Refinance Company Plc with an initial authorised share capital of ₦1,000,000.00, which was later increased to ₦8,500,000,000.00 in March 2014. It obtained an Approval-in-Principle from the CBN on 20th June 2013 and a final license on 18th February 2015.

Vision & Mission

NMRC's vision is to encourage and promote home ownership in Nigeria by providing financial facilities to the MLBs, thereby increasing the availability and affordability of mortgage loans to Nigerians. Its mission is to be a specialized financial institution that provides long-term funding to financial institutions by issuing medium to long-term bonds in the capital markets.

NMRC is a wholesale institution which refinances/purchases mortgage loan portfolios rather than originating individual mortgage loans and will cater for financial institutions rather than individual borrowers. It will operate on commercial principles to attract the equity of private investors and International Financial Institutions (IFIs) and mobilize market based funding for the financial institutions on attractive terms. The NMRC's narrow and specialized mission is therefore to provide loans to qualified financial institutions and issue bonds and notes in the capital market.

Business Strategies

The business objectives of NMRC will include the following:

- To encourage financial institutions to increase their mortgage lending by providing them with long term funding;
- To increase the maturity structure of mortgage loans and reduce mortgage rates;
- To increase the efficiency of mortgage lending by taking a lead role in proposing changes to the enabling environment for mortgage lending as well as by standardizing mortgage lending practices and documentation of financial institutions; and
- To introduce a new class of high quality long-term assets to pension funds and other investors

It is intended that these objectives will be achieved via a business development plan which will be executed in phases in order to enable the NMRC operate as efficiently as possible in the Nigerian environment and lay the foundations for undertaking more complex transactions in the future. It is therefore not intended that a rigid application of the business development plan will be followed; rather a flexible approach will be adopted through the constant review of NMRC's progress in line with the set out plan. Depending on the speed at which the market grows and develops, NMRC could move into a subsequent phase at an earlier or later stage.

Phase 1 (Year 1)

- Preparatory activities to commence operations
- Recruitment and office organisation
- Commence marketing
- Establish Uniform Underwriting Standards
- Undertake technical activities for risk management

Phase 2 (Year 2 – 3)

- Refinance mortgages with recourse only (mortgages that comply with set standards)
- Issue corporate bonds with FGN guarantees
- Continue working on setting mortgage standards

Phase 3 (Year 4 – 6)

- Purchase/refinance only mortgages that comply with set standards
- Issue corporate bonds without guarantees
- Continue working on setting standards for mortgage lending and spearheading legal reforms

Phase 4 (Year 7 onwards)

- Purchase mortgage loans without recourse
- Securitise mortgages from its portfolio and/or on behalf of its client mortgage originators
- Continue purchase with recourse scheme
- Continue developmental activities

Phase One

a) Preparatory work to commence operations; incorporation of NMRC, obtaining all requisite regulatory licenses, approvals and registrations, recruitment of the CEO and other key officers, firm up organizational structure by drawing up relevant manuals on credit, ALM, financial management, operations, mortgage purchases/refinancing and treasury operations;
b) Commence marketing of refinancing facilities to mortgage originators and marketing of its bonds to potential investors;
c) Refinancing of Legacy Mortgage Loans by issuing corporate bonds with certain credit enhancement instruments which might include guarantee provided by the FGN;
d) Working on setting mortgage underwriting standards for mortgage lending and spearheading legal and other reforms required for mortgage lending by devoting majority of its resources to developmental activities such as the standardisation of mortgage loan products, underwriting, servicing and documentation with the aim that mortgage originators begin to originate "conforming loans" based on NMRC Uniform Underwriting Standards (UUS).

Phase Two

a) Purchase/refinance Legacy Mortgage Loans and mortgage loans originated based on NMRC's UUS (all with recourse) by issuing corporate bonds with guarantees issued by the FGN;
b) Continue work on setting mortgage standards for mortgage lending and spearheading legal and other reforms required for mortgage lending;
c) Devote resources to technical activities for managing risks inherent in mortgage lending and improving the enabling environment for mortgage lending for the long-term benefit of market development. These activities include training of mortgage lenders, introducing seller ratings, servicing guidelines and servicer ratings, reforms to the property titling process of each state, improvement in registration of liens, improvement of foreclosure process, and initiating changes in the rules/laws required for securitization.

Phase Three

a) Purchase/refinance mortgage loans based only on NMRC's UUS and issue corporate bonds without guarantees. It is intended that by this phase, the mortgage originators will have built experience with standardization of mortgage loan products, underwriting criteria, documentation and other lending processes and also built up an adequate supply of mortgage loans originated based on these criteria. The NMRC will also be able to issue bonds on the strength of its balance sheet and the pool of mortgages it has refinanced without reliance on third party guarantees.
b) Continue work on setting standards for mortgage lending and spearheading legal reforms required for mortgage lending.

Phase Four

a) Purchase mortgage loans without recourse and hold them in its books. Also at this stage, the NMRC may begin to securitize from its held portfolio by issuing Residential Mortgage Backed Securities and may also securitise mortgage loans on behalf of its client mortgage originators. The occurrence of these activities will depend largely on how developed the market has become in that the required laws and regulations have been put in place and the mortgage originators have standardised their lending practices.
b) NMRC will also continue to provide its purchase with recourse scheme to the mortgage originators.

Legal Structure

NMRC has been set up as a public limited liability company in order to be able to access the capital markets; a public company structure also promotes good governance and better reporting standards than a private company.

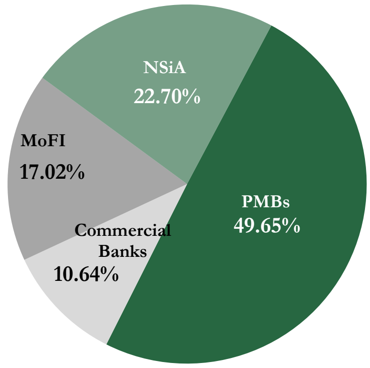
NMRC obtained the final license from the CBN in February 2015 to operate as a non-deposit taking financial institution. It is required to meet the same prudential requirements as other non-bank financial institutions. (See Current Supervisory and Regulatory Framework on page 76)

Ownership and Capital Structure

NMRC is a private sector driven company with a public mission and it is intended that the shareholding structure will reflect the public-private partnership. To this end, NMRC will (i) be majorly privately owned; and (ii) have limited public stake

Shareholding Structure of the NMRC

NMRC currently has 22 investors with a total value for shares of ₦7.05 billion. The Ministry of Finance Incorporated (MoFI) and the Nigerian Sovereign Investment Authority (NSiA) own about 17.02% and 22.7% respectively, while 4 Commercial Banks (CBs) and 16 Primary Mortgage Banks (PMBs) represent the majority shareholders owning about 49.65% of the total shares of NMRC. The diagram below illustrates the current capital structure of the NMRC.



Additional equity commitments of ₦2.88 billion have been made by Shelter Afrique, IFC and 5 other mortgage-lending banks.

The mix of investor groups has been deliberately chosen in order to ensure the success of NMRC, as each group will bring a unique value to the Company. These investors will contribute their market knowledge and depth of experience as well as their influence in the local market. Initially, a zero dividend policy will be maintained in order to support anticipated growth in NMRC's business, the mortgage market and to bolster confidence in the company among market participants, especially the regulators and bond investors. Capital calls will be made only when necessary in order to maintain regulatory norm or support NMRC as it seasons.

Shareholders may exit at any time by selling their shares to another investor, and this will be carefully and precisely defined, through a negotiated process, in a shareholders' agreement. Once a solid track record has been established, the NMRC intends to list its shares on a Securities Exchange for purchase by the public and trading by brokers. It is anticipated that this could be in the 7 to 10 year time frame.

Capital Structure of NMRC

NMRC, as a financial institution regulated by the CBN, will have to maintain capital to satisfy the regulatory requirements prescribed by the CBN. The capital adequacy rules that will apply to NMRC have been spelt out in the Regulatory Framework issued by the CBN.

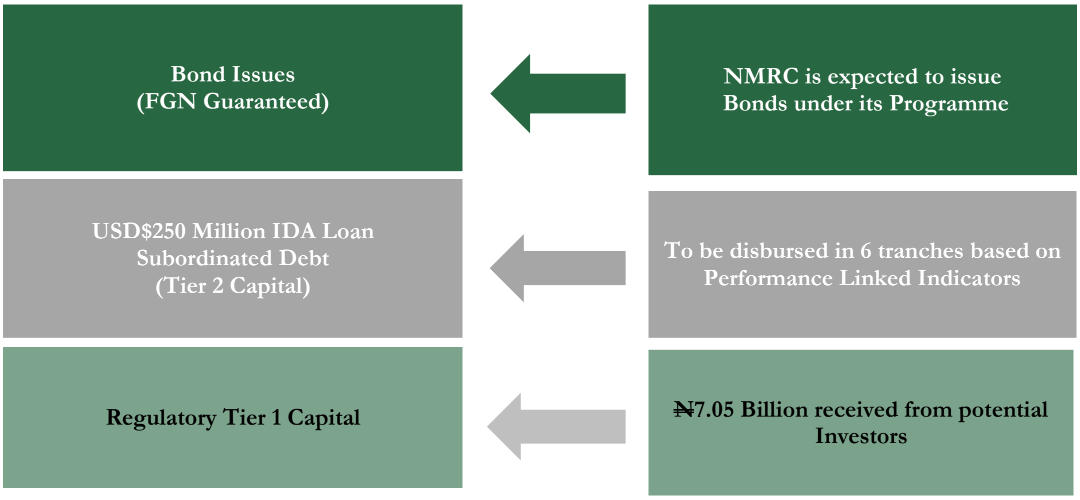
The capital structure is composed of Tier 1 capital of ₦7.05 Billion to meet the minimum capital requirement provided by the CBN, and Tier 2 Capital IDA line of credit of US$ 250 million equivalent which will be disbursed in 6 tranches to NMRC based on disbursement linked indicators.

The role of the IDA line of credit will be twofold –

(i) Strengthen NMRC Balance Sheet - it will provide confidence in the credit standing of NMRC as a bond issuing entity which is critical in ensuring its ability to raise bond financing at just above sovereign debt levels

(ii) Ensure Sustainability of model – the IDA funds will be invested in government securities to generate sufficient return, to cover administrative expenses and generate sufficient income to grow the capital base in line with growth in the balance sheet. This is a departure from previous models where World Bank loans were used to directly provide funding for on-lending. One of the consequences is that NMRC will have to issue bonds from the outset before it can begin refinancing operations.

NMRC Capital Structure



The US$250 million IDA Loan will be disbursed in the following six (6) tranches:

i) US$20 million: Compliance with effective conditions;

ii) US$100 million: NMRC has conducted due diligence for mortgage loans;

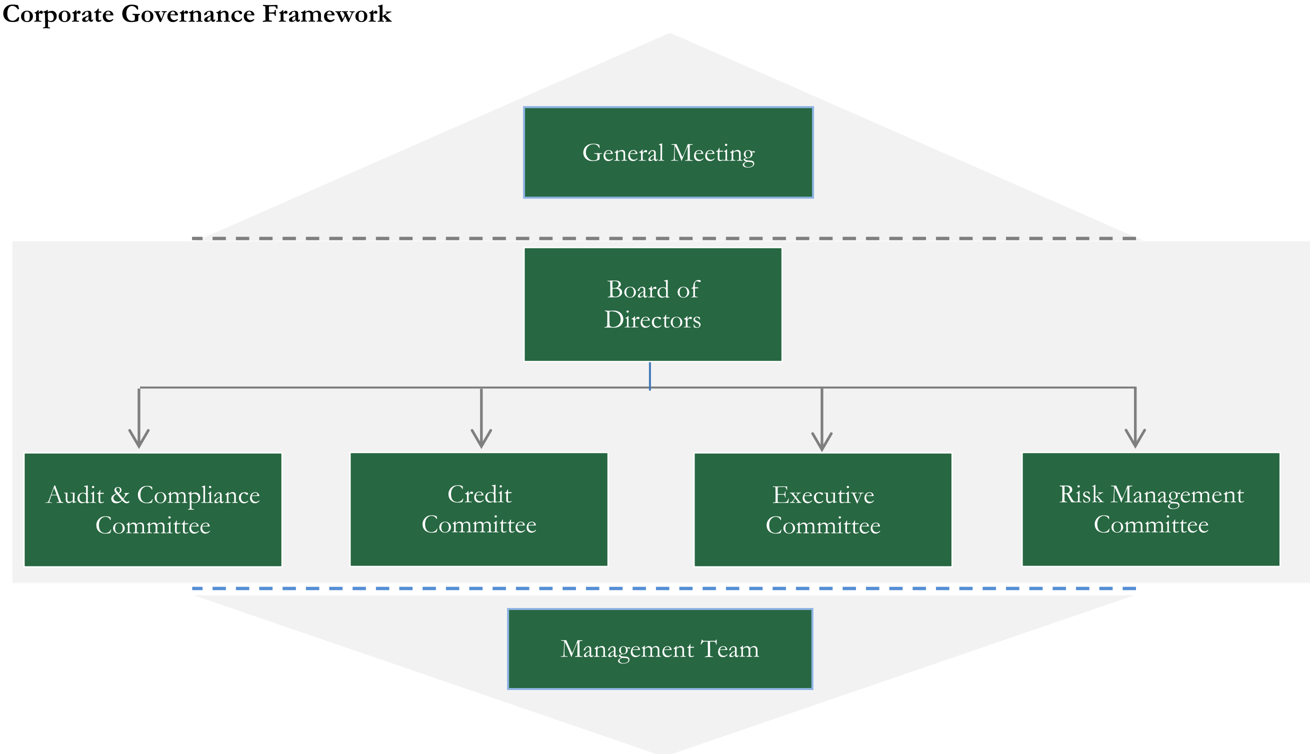
iii) US$70 million: NMRC has issued bonds to refinance mortgages of US$120 million;

iv) US$20 million: NMRC has issued additional bonds to refinance mortgages of US$100 million;

v) US$20 million: NMRC has issued additional bonds to refinance mortgages of US$50 million; and

vi) US$20 million: NMRC has issued additional bonds to refinance mortgages of US$50 million

Corporate Governance Framework



The three-tier governance structure is consistent with the overall strategic objectives of the Company. The structure would be constituted as follows:

- General Meeting: The ultimate decision making body of the Company comprising representatives of the different shareholders.

- Board of Directors: The second level of governance responsible for overseeing the conduct of the Company's management and directing the realisation of its corporate goals.
- Management Team: Responsible for co-ordinating the day-to-day activities of the company and ensuring the realisation of the NMRC's overall business and strategic goals. The team shall comprise the Managing Director/ CEO of the Company and other executive management staff.

The board consists of seven (7) members. It is made up of some CEOs of the participating mortgage lending banks and other institutional investors, nominated according to board seats allocated across the investor groups, however at any time the number of non- executive directors shall be at least twice the number of executive directors.

The board is responsible for the formulation of policies and strategies of the Company. NMRC board adheres to strict corporate governance practises including the SEC and CBN Codes of Corporate Governance; therefore, the board is supported by board committees made up of board members with delegated authority to deliberate on specific issues and make recommendations to the board for approval. Committees already constituted include the following:

- **Audit Committee:** Reviews the audit of the company's operations as well as the effectiveness of the financial and internal controls. The Internal Auditor and External Auditors will report directly to the Board Audit & Compliance Committee.

- **Investment Committee:** assists the Board in setting the investment policy to be adopted for NMRC's funds and ensure that the investment of the Company funds is conducted in accordance with the Investment Policy.

- **Finance and General Purpose Committee:** considers and advises the Board on matters relating to NMRC's finances, financial policies, controls, resources, and any other matters which may be referred to it from time to time.

- **Governance and Remuneration Committee:** sets the principles and parameters of remuneration policy across the Company, considers and approves the remuneration arrangements of the Board, the executive directors of the Company, other senior executives, and exercises oversight for remuneration issues.

- **Credit Committee**: provide oversight and guidance to the Board regarding the performance and quality of NMRC's credit portfolio and the effectiveness of, and compliance with, its credit policies.

- **Risk Committee**: assists the Board in ensuring that there is sufficient oversight in the development of policies, strategies and procedures to manage the risks of NMRC. In addition, it ensures that systems are in place for risk management and reviews and recommends strategies to manage the risks of NMRC and the risk appetite and tolerance level.

Other aspects of the corporate governance framework are the risk management framework, effectiveness of the internal and external audit and management structure of the NMRC all of which will require proper board oversight to ensure accountability and transparency in the carrying out of NMRC's operations.

Risk Management

NMRC's board has the ultimate responsibility to ensure that there is proper oversight of risk management of the Company. The board of directors sets the risk appetite and tolerance level in consonance with the NMRC's overall business objectives, approves all risk management strategies and policies and approves the methodology for identifying, measuring, managing and controlling risks.

The Board Risk Management Committee will assist the board in ensuring that there is sufficient oversight in the development of policies, strategies and procedures to manage the risks of NMRC. In addition, it ensures that systems are in place for risk management, reviews and recommends strategies to manage the risks of the NMRC and the risk appetite and tolerance level. An important aspect of risk management is asset-liability management, often referred to as interest rate risk.

The key technique for minimizing interest rate risk is duration matching. NMRC will seek to match the duration of its assets, primarily mortgage loans, with liabilities of similar duration. Both the asset-side and the liability side require active, regular management. NMRC's management, via the Asset Liability Management Committee, will keep close tabs in measuring the actual duration of the mortgage sub-portfolios and in making sure that the liability side closely matches these durations. If any material deviations develop, management will have to engage in corrective actions.

Internal Audit

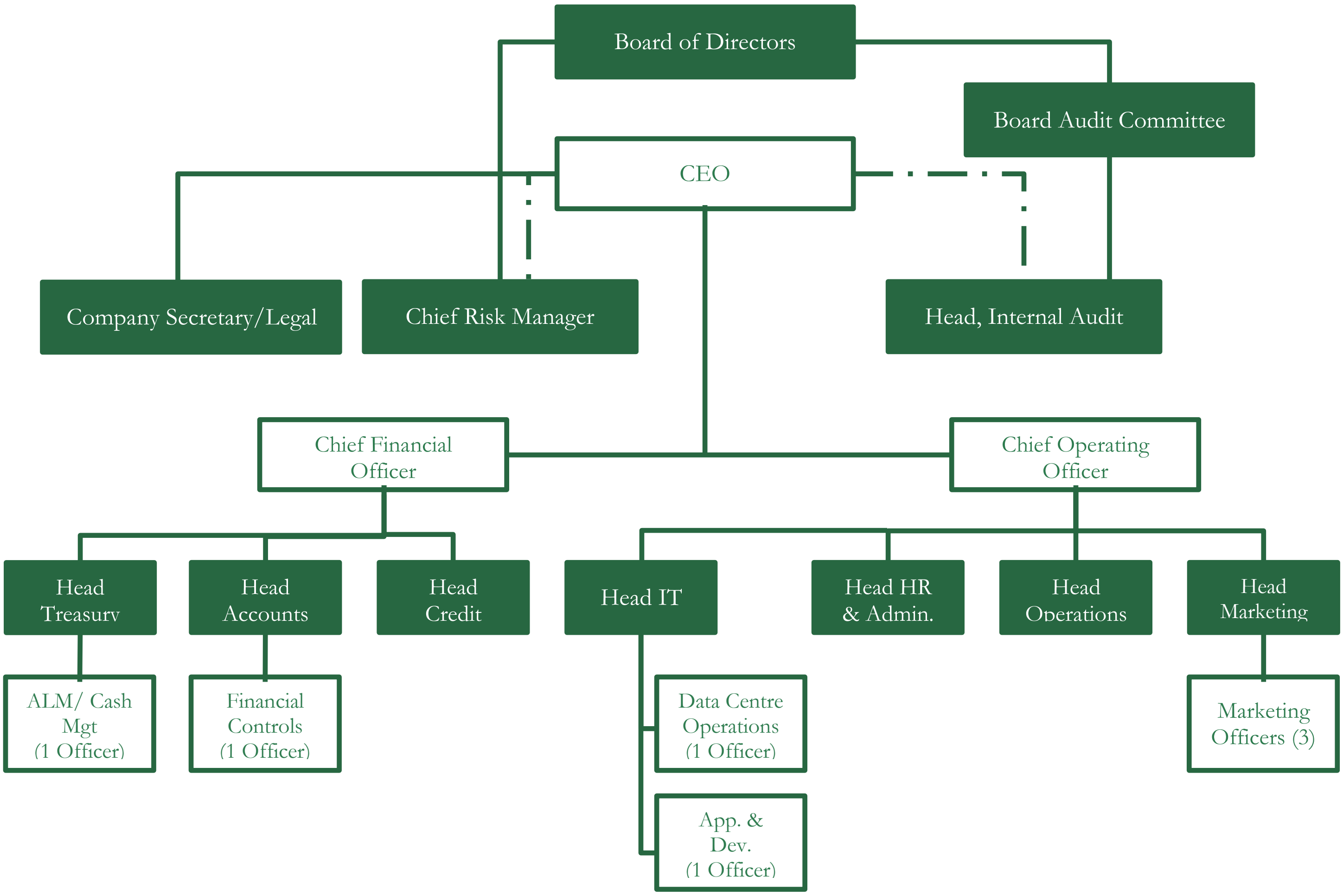
The CEO is responsible for implementation of the risk policies and strategies approved by the board by ensuring that there are adequate operational procedures, systems and controls for identifying, measuring, monitoring and reporting of risks and ensuring that the lines of authority and responsibility for managing risks are clear. The Internal Auditor ensures compliance with the NMRC's approved Risk Management Policies and Procedures and the effectiveness and adequacy of internal control procedures.

Organisational Structure

NMRC's staffing needs are much smaller than that of a retail bank or investment bank. An important element for the success of NMRC is its ability to remain lean at least in the initial few years until it is able to build up a substantial portfolio.

The key to this operating model is the use of technology to manage transactions which will become standardized and repetitive. The organization structure set out below is based on the volume of business and the extent of developmental activities to be undertaken by NMRC. The proposed initial organization structure as shown below is indicative and still under-going review; consequently, the final structure may change.

Organisational Chart



Current Supervisory and Regulatory Framework for a Mortgage Refinance Company

In December 2012, the management of the Central Bank of Nigeria approved the Regulatory and Supervisory Framework for the operations of Mortgage Refinance Companies (MRCs) as an exposure draft.

The framework provides for the licensing and establishment of a Mortgage Refinance Company (MRC) as a specialized second-tier institution, which would provide short-term liquidity, long-term funding and/or guarantees to mortgage originators and housing finance lenders.

The regulatory framework is designed to ensure that MRCs operate in a safe and sound manner, on internationally accepted principles, standards and best practice in mortgage liquidity facilities. The regulatory framework is released pursuant to the provisions of the Central Bank of Nigeria (CBN) Act 2007, Banks and Other Financial Institutions Act (BOFIA) CAP B3, Laws of the Federation of Nigeria (LFN) 2004, other relevant Laws, and extant CBN Guidelines and Circulars.

The Framework prescribes the basic regulatory requirements for the MRC's principal line of business of re-financing credits to borrowers on the security of residential mortgage assets and other qualified collaterals. It also sets the capital adequacy requirements for MRCs, including its minimum paid-up capital, maximum leverage limit, and the minimum risk weighted capital requirement. Furthermore, the framework specifies the types of collateral that a borrower can pledge for MRCs' advances, and the discount that MRCs shall apply in determining how much it can lend against any qualified collateral. It also prescribes procedures for the management of the MRCs' interest rate risk, its permissible investments and liquidity requirements.

This framework is divided into ten (10) parts, beginning with a preamble, which includes a statement on the major regulatory powers and duties of the CBN with respect to MRCs' operations. The second part discusses mortgage liquidity operations, followed by the licensing requirements for the approval-in-principle and the grant of final license in Part three.

The fourth part highlights the MRCs' corporate governance requirements, including the specific duties and responsibilities of its Board of Directors and senior management. The remaining six parts of the framework discuss sources of funds, rendition of returns, prudential requirements, on-site examination, reporting and off-site monitoring of MRCs and the administrative sanctions that the CBN may impose for violations of any of the specified regulatory requirements.

This framework applies to the set-up and organisation of NMRC.

Pilot State Governments

NMRC will seek the assistance of FMOF, CBN and other relevant stakeholders to request, as a priority, the governors of the states of Abia, Anambra, Bauchi, Bayelsa, Delta, Ekiti, Gombe, Kano, Kwara, Kaduna, Lagos, Edo, Enugu, Nasarawa, Ondo, Rivers, Ogun States including Federal Capital Territory (FCT) and other identified states (as a demonstration pilot) to reduce the registration fee from the current levels.

Discussions in this regard have been initiated by the FMOF and it is anticipated that the state governments as stakeholders in this initiative, will reduce the registration fees, and NMRC will refinance loans with recourse on a pilot basis in these states.

As at 21 August 2013, the Coordinating Minister for the Economy and Minister of Finance met with Governors of proposed Pilot Scheme States (Abia, Anambra, Bauchi, Delta, Ekiti, Gombe, Kano, Kwara, Kaduna, Lagos, Edo, Enugu, Ondo, Rivers, Ogun), to introduce NMRC, its mission/objectives, potential benefits to the States, required commitments from the State Governments e.g. Land administration reform, GeMS3 technical assistance, etc. The respective State Governments have committed to supporting this initiative.

Phase One of the visit to the Pilot States by the Technical Working Group of the Nigeria Housing Finance Programme commenced, with representatives of NMRC, CBN, Federal Ministry of Lands, and Federal Ministry of Finance. The team visited Kogi, Enugu, Abia, and Akwa Ibom States between July 1 – 4, 2014.

Phase Two of the visit was conducted between September 17 -19 2014 to Edo State, Delta State, Anambra State, and Ondo State by representatives of NMRC, CBN, Federal Ministry of Lands, Federal Ministry of Finance, and DFID.

In December 2014, Coordinating Minister for the Economy and Minister of Finance requested for a reduction of land charges on mortgage transactions from the Governor of Lagos State and the FCT Minister respectively.

The Lagos State Governor, in January 2015, signed into law an Executive Bill reducing the cost of land transactions in the State in order to ensure that land transactions are carried out with minimal difficulty especially with difficulties relating to payment of taxes, rates and legitimate levies charged under the enabling law.

The Order, which was made on January 6, 2015, reduces Consent Fees from 6 percent to 1.5 percent while Capital Gains tax, which was previously 2 percent, is reduced to 0.5 percent. Also cost of Stamp Duty has been reduced from 2 percent to 0.5 percent while Registration Fees has been reduced from 3 percent to 0.5 percent.

Uniform Underwriting Standards

NMRC's Uniform Underwriting Standards is intended to outline the minimum uniform standards under which a mortgage loan underwritten by a Member Mortgage Lending Bank will be eligible for refinancing by NMRC.

The goal of NMRC's Uniform Underwriting Standards is to: (i) institute mortgage lending standards and procedures within the Nigerian mortgage market, thereby facilitating improved access to housing finance; and (ii) develop and establish criteria for acceptable mortgage loans, including payment performance, financial terms, legal contract terms, mortgage loan product designs, mortgage loan underwriting criteria, and the contents of mortgage loan documents.

The standards balance the requirements of responsible finance and consumer protection with mortgage lenders' need to enforce loan contracts. NMRC's goal is to act as a catalytic and focused advocate to address the issues of standardisation and effective risk management.

The Uniform Underwriting Standards developed by NMRC will act as industry standards for granting home mortgage loans to borrowers that will qualify for refinancing by NMRC, promote efficiency and mitigating the mortgage financing risks in the market as well as lead to more affordable home ownership in Nigeria.

The final version of NMRC's Uniform Underwriting Standards for Eligible Mortgage Loans was published in December 2014. This document can be downloaded at http://www.nmrc.com.ng/wp-content/uploads/2014/12/NMRC-Uniform-Underwriting-Standards-Final-Version-13122014.pdf and will be updated by NMRC from time to time subject to prevailing market conditions and applicable developments in the mortgage industry.

The following is a current list of the twenty (20) NMRC Member Mortgage Lending Banks:

1. Aso Savings & Loans Plc.
2. Homebase Mortgage Bank Limited
3. Trust Bond Mortgage Bank Limited
4. FHA Homes Savings & Loans Limited
5. Sterling Bank Plc
6. Resort Savings & Loans Limited
7. Abbey Mortgage Bank Plc.
8. Imperial Homes Mortgage Bank Limited
9. Access Bank Plc
10. Heritage Bank Plc
11. Infinity Trust Mortgage Bank Plc.
12. Mayfresh Savings & Loans Limited
13. Stanbic IBTC Bank Plc
14. Nigeria Police Mortgage Bank Plc
15. Sun Trust Savings & Loans Limited
16. New Prudential Building Society Limited
17. Refuge Home Savings & Loans Limited
18. Haggai Mortgage Bank Limited
19. Jubilee Life Savings & Loans Limited
20. Platinum Mortgage Bank Plc

Refinancing of Legacy Mortgage Loans

The first year of business transactions by NMRC will be focused on building up two portfolios: (a) purchases of legacy loans with recourse to lenders, and (b) purchase of new, standardized loans with recourse to lenders.

In Phase 1, NMRC will initially refinance with recourse/purchase the legacy mortgage loans on a pilot basis from the mortgage originators. The legacy loans should, at the least, satisfy certain specific eligibility criteria in the Uniform Underwriting Standards (UUS) in order to be refinanced by NMRC.

The legacy portfolios are the historical mortgage loans held by Nigerian financial institutions, and these loans are not at all standardized in terms of product or loan file documentation. The credit quality cannot be known except through the history of loan performance and an examination of the loan files.

As a result, NMRC will be very cautious in refinancing legacy loans, and, indeed, extensive due diligence will be conducted to verify eligible legacy loans that conform with NMRC's UUS prior to refinancing.

NMRC engaged PricewaterhouseCoopers (PwC), Deloitte, KPMG and Ernst & Young to conduct confirmatory due diligence on the eligible mortgage loans that have been pre-qualified for Legacy Loan refinancing.

Standardisation

One of the most important non-transactional tasks that NMRC must take on is the standardisation of the mortgage industry in Nigeria. Standardisation is valuable because it truly turns mortgage loans into commodities. It has the effect of stripping away all attempts to create differences or establish a certain kind of uniqueness on the part of mortgage originators. The result is an industry that is fluid, and well-organized. This creates liquidity in a long-term asset, and enables the application of standard processes and the use of common documents.

Following the publication of the Uniform Underwriting Standards, standardization will be further implemented in the following areas of primary mortgage lending:

(i) Mortgage lending processes: origination, underwriting, closing, and foreclosure; and
(ii) Mortgage loan file documents.

NMRC will require all lenders with whom it does business to abide by the same origination, underwriting and closing process. This helps ensure that (i) all borrower credit risks are methodically and properly evaluated, (ii) the borrower is clearly educated and informed as to the responsibilities he is taking on, (iii) liens on security property are properly established, (iv) all origination and closing costs are properly accounted and disclosed, and (v) the money that changes hands at the closing table does so in a completely open and transparent way. Finally, if it comes to that, the foreclosure process is likewise standardised for the same reasons and benefits, namely disclosure, orderliness and fairness.

In this way, all borrowers and lenders know and understand their duties and responsibilities and no one should be fairly able to claim that one side is taking advantage of the other side. A well-known problem with efficient foreclosure throughout sub-Saharan Africa is the claim often put forward by borrowers (and unfortunately overly taken up by sympathetic courts) that sophisticated and predatory financial institutions take advantage of unknowing, naive borrowers. The standardized procedures and process that the NMRC will offer will provide for important consumer protection and foster orderly, well-documented lending.

NMRC will require that the loan file and the documents that make up the loan file be standardized. The only difference in loan files will be the logo of the loan originator that appears at the top of each document. NMRC will publish a set of documents that must be used for: application, underwriting, appraisal, and closing. It will also publish a model loan file to establish the proper order of documents. This includes the Standard Mortgage Lending Agreements.

Servicing Standards

Although the loans are sold to/ refinanced by NMRC, mortgage originators continue to service the loans. More specifically, the servicing function includes the following:

- Continue to administer and service the mortgage loans purchased by NMRC;
- Maintain accurate mortgage servicing and accounting records;
- Collect and promptly remit to NMRC any and all amounts collected under the mortgage loans and due to NMRC; and
- Act as custodian of the loans and mortgage instruments of those loans sold to NMRC.

Since the flow of money in the mortgage business is so critical to a smoothly functioning market, NMRC will be the first entity in the market to rate servicers on their ability to do this work. Clearly, a poorly functioning servicer can negatively affect the rating on bonds backed by the mortgages its services. Accordingly NMRC may use third party rating agencies to conduct servicer ratings on mortgage originators with a minimum service rating set as pre-qualification criteria for refinancing.

As the market grows and matures, the servicing function will become independent from the job of originating mortgages. Among other things, this means that firms can choose to focus exclusively on the mundane, tedious but critical task of mortgage loan servicing.

Servicing can be priced independently of the mortgage loan because NMRC will set a minimum mandatory value or fee to the servicing function and entrepreneurs will be able to buy and sell servicing for large pools or portfolios of mortgages. As a result, servicers will enjoy a revenue stream stemming from the servicing fee, offset in part by the expenses of administering the servicing operation. The more efficient the servicer can be, the more profit he can make. Efficiency can be achieved by growing volume (large servicing book of business) and by the smart use of technology since many of the servicing functions are routine and repetitive.

Preparation for this development actually starts with NMRC. In addition to setting a minimum price for the servicing function, NMRC will devote some staff and other resources to monitoring servicers and the functions they perform.

NMRC will promote the use of Servicer Ratings; Servicer Ratings are designed to be an indication of a mortgage bank's ability to effectively service mortgage loans refinanced by NMRC. The ratings incorporate an analysis of the servicer's experience in the mortgage loan servicing, management, staff, training programs, procedures, controls, and systems among others.

Model Mortgage and Foreclosure Law

A critical developmental role set for NMRC on its establishment, was the promotion of legislative reform by proposing a Model Mortgage and Foreclosure Law for adaptation by Pilot States which will fast track the process for creating legal mortgages, ensure timely resolution of disputes and create an efficient foreclosure process.

A Technical Working Team consisting of 6 Law Firms (Olaniwun Ajayi LP, Detail Commercial Solicitors, G. Elias & Co., Ajumogobia & Okeke, Kunle Omotola & Co., Perchstones & Graeys) and Professor I.O Smith completed the final draft of the Model Mortgage and Foreclosure Law.

The Model & Foreclosure Law is in final form for engagement with the Pilot States. 21 (Twenty one) Pilot States have committed to (and some have commenced) the implementation of an "Enabling Environment' for the development of the mortgage market which includes adopting the passage of the Model Mortgage Law.

Information & Communication Technology (ICT) Infrastructure

Investors are dependent on the mortgage servicer to collect and remit payments to NMRC, therefore the servicer must have good systems for accumulating and remitting cash and performance information on a timely basis, and a good track record in processing information on collections.

Information processing and real time transmission have become increasingly important in the secondary mortgage market. Historical performance data on mortgage payments (e.g., default and prepayment) remain a major factor in risk assessment and pricing of NMRC's bonds.

Because of the importance of data in the assessment of risk, and the need to establish credible historical performance data on mortgage payments, NMRC is investing in a robust ICT Infrastructure that will be linked to the entire participating mortgage lending institutions.

The ICT Infrastructure will include a mortgage loan processing system enhanced to incorporate the processing and reporting functions of NMRC refinancing transactions.

It is expected that with the successful implementation of NMRC's ICT Infrastructure, historical performance data relevant to the mortgages refinanced by NMRC will be available for at least the following five years and a period covering an economic cycle, to assist in independently rating NMRC's credit risk and its Mortgage Portfolio; this will ultimately reduce the risk premium on NMRC's refinancing cost of funding.

NMRC is implementing an ICT Framework that will link NMRC's system to the participating mortgage lending banks' system to facilitate transaction velocity, uniformity in reporting and monitoring of conforming mortgage loans. The technology component is critical to providing an ICT platform that can provide automated processing of loan applications, establish credible historical performance data on mortgage payments for effective risk assessment and pricing of NMRC's bond issuance by investors and rating agencies.

NMRC's Refinancing Model

NMRC will contract with eligible MLBs to: (i) an assignment of the MLB's beneficial right, title or interest in all distributions of principal and interest and all prepayments received on or with respect to the Mortgage Loans (the "Mortgage Loan Rights"), with recourse (until the MLBs fully repays its obligations to the Issuer under the Master Purchase, Refinance and Servicing Agreement; and (ii) legal assignment by way of security wherein the MLB shall charge as beneficial owner and for continuing security to and in favour of the Security Trustee (and to its satisfaction) by way of a first fixed charge, eligible Mortgage Loans of a value at the time of not less than 125% of the Refinancing Amount, at the point of the refinance (the "Refinancing Date").

NMRC will purchase the Mortgage Loans at their book value after deducting unearned interest, if any, included in such balance. In consideration of the sale, NMRC will advance the Refinancing Amount. NMRC's Purchase Rate is the required rate of return on the Refinancing Amount or the Mortgage Loans purchased from the originators and shall form the basis of the computation of NMRC's Minimum Yield.

- By virtue of the assignment of the Mortgage Loan Rights, MLBs will be obligated to transfer to NMRC on a monthly basis, all monthly mortgage instalments from the borrowers net of the MLB's Monthly Spread including all Prepayments received on or with respect to the Mortgage Loans on and after the Refinancing Date. MLBs are required to remit monthly mortgage instalments from the borrowers' equivalent to the Minimum Yield and remit to NMRC irrespective of whether the borrower pays the monthly instalments. In the event of partial prepayments made by the borrowers, MLBs must remit them to NMRC.

- The assignment by way of sale will be documented under a **Master Refinance, Purchase and Servicing Agreement** (MRPSA) between NMRC and each MLBs. The MRPSA will set out the general terms and conditions of the refinancing by NMRC and the subsequent assignment of Mortgage Loan Rights to NMRC. It will also include a Declaration of Trust by MLBs that they hold in trust for NMRC, the distributions purchased by NMRC, and all monies received but not paid.

- The legal assignment by way of security will be secured by way of a specific charge in favour of NMRC according to the terms and conditions of the **Security Deed** between, NMRC, the Security Trustee and each MLBs.

The charges used to secure the individual mortgage loans with the respective customers will be registered in the name of each MLB, the Security Trustee and the customer under a **Tripartite Security Deed**; with respect to existing mortgages (i.e. Legacy Mortgages), the Security Trustee will be an assignee of the rights to the property. Mortgage originators will also undertake to transfer the charge or assign its right to the property to NMRC or the Security Trustee appointed by NMRC, on obtaining a written demand from NMRC.

Proposed Policy on Redemption/Substitution of Securities

NMRC will ensure that Mortgage Lenders maintain adequate levels of collateral (125%) at all times. If the level of collateralisation declines, such Mortgage Lender will be requested to substitute such loans. Eligible Mortgage Loans will constitute the collateral for refinancing by NMRC. However, Mortgage Lenders will be allowed to provide federal government securities and treasury bills issued by the federal government as eligible collaterals in the event Mortgage Lenders do not have eligible Mortgage Loans.

Mortgage originators will be required to submit to NMRC reports on defective loans and partial prepayments on a monthly/quarterly basis.

On the occurrence of any event of default by mortgage originators, the Refinancing Amount will immediately become due and payable and the mortgage originators are required to immediately repay the Refinancing Amount, or substitute all outstanding mortgage loans sold to NMRC, or transfer the mortgage loans to a third party as determined by NMRC. Examples of events of default are:

- ✓ The mortgage originator fails to pay any payments due to NMRC in a timely manner.
- ✓ The mortgage originator fails to observe any material obligations under the MPRSA.
- ✓ Any representations or warranties given by the mortgage originator are found to be incorrect, fraudulent or misleading.

Although Mortgage Loans are assigned to NMRC, Mortgage Lenders will continue to service the loans. The servicing obligations are contained in the MPRSA and more specifically includes the following:

- ✓ Continue to administer and service the mortgage loans in respect of the cashflows/receivables purchased by NMRC;
- ✓ Maintain accurate mortgage servicing and accounting records;
- ✓ Collect and promptly remit to NMRC any and all amounts due to NMRC; and
- ✓ Act as custodian of the loans and mortgage instruments of those cashflows/receivables assigned to NMRC.
- ✓ The Replacement Servicer may be appointed to take the place of a Mortgage Lender whose servicing obligations has been terminated

BOARD OF DIRECTORS

NMRC's Board of Directors (the "Board of Directors") is composed of seven (7) members. The Board members have concluded the verification process with the CBN. The Company will implement the SEC's latest Code on Corporate Governance in line with the code's requirements for Public Companies and the CBN Code of Corporate Governance for Banks. The members of the Board of Directors are:

Prof. Charles Inyangete
Position: Chief Executive Officer
Company: Nigerian Mortgage Refinance Company Plc.
Other Board memberships/Committee: AGH Group, Integrated Risk & Investment Services (IRIS Group) Limited, T-Mortgage Limited, African Scientific Committee and West African Economic Society.

Professor Charles Inyangete is a leading & seasoned Financial Services practitioner with over 20 years proven extensive international expertise and experience in Banking & Finance, Capital Markets development, Financial/Economic Reforms, Financial Innovation, Risk Management Strategies, International Corporate Finance, Investment Banking, Portfolio Management, Privatization & Corporate Restructuring. He served from 2001 to 2008 as an independent Non-Executive Director & Chairman of the Strategy & Risk Management Committee of the Board of Exim Bank and Member of the Working Group for the development of Tanzania's Mortgage Refinance Facility. He was the founding Executive Chairman of Vertex Financial Services where he spear-headed the merger of Vertex with African Harvest in 1998. He was instrumental in the establishment of Tanzania's first and only Stock Exchange, and developed the first market index for the Dar es Salaam Stock Exchange (DSE). He led the sponsors for the first regional corporate bond listing on the DSE in 1999 by the East African Development Bank (EADB). Between 1994 and 2000, he was the Professor of Finance and Director of a major European Union Funded Strategic Partnership & Institutional Development Programme for the University of Strathclyde, Glasgow UK at the Institute of Finance & Management Tanzania. He has served as external examiner including for Higher Doctorate & Doctorate Degrees and for Professorial Appointments with various Universities in Europe and East Africa. He also has extensive experience of financial management in education and public sector and lectured at universities in three continents - Europe, Africa and North America (USA).

He has led professional teams on major national and international strategic advisory mandates and transactions over a wide range of issues in banking, capital markets, and financial sector reforms, and has provided professional services to domestic, regional and international institutions including private and public sector corporate entities, Central Banks, Government departments and numerous projects funded by International Agencies. Some of his wide range of experience includes: Independent Financial Adviser on the recapitalisation and acquisition of Finbank Plc by First City Monument Bank (FCMB), Nigeria, Independent Financial Adviser on the recapitalisation of Afribank, Nigeria, Member of the Working Group for the development of a mortgage liquidity facility leading to the setting up of the Tanzania Mortgage Refinance Company (TMRC) sponsored by the World Bank and Adviser to The Loans and Advances Realisation Trust (LART) of Tanzania—a warehouse for Non-Performing Loans of Banks and Financial Institutions prior to privatisation. He was the Financial Expert monitoring the Management Support Services Contract part of the power sector reforms of Tanzania Electricity Supply Company (TANESCO) from 2004 to 2010. In 2003, Professor Inyangete developed regional benchmarks and a framework for Sovereign Asset and Liability Management for the ten-member Eastern and Southern African States of the Macro Economic & Financial Management Institute (MEFMI). He was also a panel member for developing a national housing and mortgage finance policy for Tanzania and the Chair of the Technical Working Group for the National Mortgage Finance Initiative of the National Social Security Fund (NSSF) which developed a framework for mortgage finance in Tanzania.

Professor Inyangete holds a PhD in Finance (1991) for the study of risks, returns, market-making and the structure of the UK Securities market post 'Big Bang" from the University of Strathclyde, Glasgow, United Kingdom. He also holds an M.Sc. in Financial Studies from University of Strathclyde, Glasgow, UK (1986); Association of International Accountants, Professional Module E, UK (1984) and a Higher Certificate in Accounting from Derbyshire College, UK (1982) . He obtained a Certificate in Accountancy from Worcester College/Lanchester Polytechnic, UK (1978), an Institute of Accounting Staff Qualifying Certificate, UK (1979) and Association of International Accountants, Foundation, UK (1981).

Mr. Sonnie Ayere

Position: Non- Executive Director
Company: Dunn Loren Merrifield Group
Other Board memberships/Committee: AIICO Plc, Unique Group of Schools, Nigerian Bond Steering Committee, SEC committee on Market Structure & Reforms, the Securitisation Law of Nigeria, the FSS2020 Technical Steering Committee.

Sonnie Ayere has over 20 years of in-depth corporate and structured finance, corporate banking and asset management experience working with the following institutions in London - HSBC London, NatWest Bank, The Sumitomo Mitsui Bank, Bank of Montreal - Nesbitt Burns; the International Finance Corporation (The World Bank Group) based in Washington D.C. and Johannesburg, South Africa, the UBA Group, before setting up Dunn Loren Merrifield Group.

He assumed the role of Structured Finance Specialist for Sub-Saharan Africa in July 2002, where he was responsible for developing structured finance and securitization transactions in addition to developing debt capital markets and instruments for the bank. He pioneered IFC's interest in developing the Nigerian bond market and was a principal adviser to the Nigerian Debt Management Office on the development of the market. He later joined UBA Group as the pioneer Managing Director/CEO of UBA Global Markets, the investment banking arm of the group in August, 2005. After.4years at the helm of the investment banking arm of UBA Plc, he founded Dunn Loren Merrifield in June 2009.

Mr. Ayere holds an MA (Hons.) in Financial Economics from the University of Dundee, Scotland in June 1993. He is an Alumni of Cass Business School London (MBA) - July 1996 and London Business School (June 1996). Sonnie is also FSA registered. He was conferred with an Honorary Doctorate Degree in Science (DSc.) from the European-American University in July 2009. Sonnie Ayere was appointed NMRC task manager in December 2012.

Mr. Herbert Wigwe

Position: Non- Executive Director
Company: Group Deputy Managing Director Access Bank Plc.
Other Board memberships/Committee: **The Access Bank UK, Access Bank Ghana and Central Securities Clearing Systems Plc**

Mr. Herbert Wigwe is an alumnus of Harvard Business School Executive Management Programme. He holds a Master's degree in Financial Economics from the University of London in 1996. He also holds a Master's degree in Banking and International Finance from the University College of North Wales obtained in 1991 and a B.Sc. degree in Accounting from the University of Nigeria, Nsukka 1987.

He is also a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN). Mr. Wigwe has over 20 years of experience in the financial services industry.

Mr. Wigwe is a member of the Advisory Board of the Friends of the Global Fund, Africa otherwise known as Friends Africa; an international agency mobilising public and private efforts in the fight against the triple pandemics of HIV/AIDS, Malaria and Tuberculosis.

Mr. Uche Orji

Position: Non- Executive Director
Company: Managing Director / CEO Nigeria Sovereign Investment Authority

Mr Orji brings a wealth of global experience in the financial services sector. He possesses a highly relevant career spanning over eighteen years and 11 countries in Finance, Investment Research and Advisory covering various sectors.

He joined the NSIA as CEO on October 2nd 2012, from Switzerland's largest bank, UBS Securities, where he was Managing Director in the New York branch of its Equities division. Prior to his experience at UBS Securities, Uche Orji had also spent 6 years at JP Morgan Securities in London, from 2001-2006, rising from the post of Vice President to Managing Director. Prior to JP Morgan, Uche Orji was at Goldman Sachs Asset Management, London from 1998-2001, as analyst/portfolio manager and later Executive Director. Mr. Orji studied Chemical Engineering at the University of Port Harcourt, Nigeria, graduating in 1990 and also obtained an MBA from Harvard Business School in 1998. Prior to his Harvard MBA program, Mr. Orji worked at Diamond Bank Plc., Lagos Nigeria and Arthur Andersen & Co.

Dr. Femi Johnson
Position: Non- Executive Director
Company: Managing Director/CEO Home Base Mortgage Bank Limited.
Other Board memberships/Committee: President of the Mortgage Banking Association of Nigeria (MBAN)

Dr. Johnson is a Fellow (FCA) of the Institute of Chartered Accountants of Nigeria (ICAN), a Fellow (FCTI) of the Chartered Institute of Taxation of Nigeria (CITN), an Honorary Senior Chartered Banker (HCIB) of the Chartered Institute of Bankers of Nigeria (CIBN) and also an Associate of the New York State Society of Certified Public Accountants, (NYSSCPA). He is currently undertaking a DBA (Doctor of Business Administration) Programme at the Cranfield University, United Kingdom in Economics and Finance and holds an MBA degree from the Lagos Business School obtained in 2005. In 2004 he also had previously obtained an MBA from the University of Ado-Ekiti.

He has served as a Chairman and member of various sub-committees of MBAN including the Liquidity Facility and Secondary Mortgage Market Creation Committee, Electronic Payments in Mortgage Banks, Money Market Association and Transactions Creation Committee, Enabling Policies for the Creation of Mortgage Brokers Operations Committee, Prevention of Subprime Mortgages in the Mortgage Market in Nigeria Committee, Central Bank of Nigeria's Electronic Financial Analysis and Surveillance System (EFASS) Compliance Committee, the committee working with USAID on mortgage participation/collaboration in Nigeria, the committee working on setting up an effective mortgage securitisation system in Nigeria.

Prior to becoming the CEO of HomeBase Mortgage Bank, Dr. Johnson started his banking career in 1992 at Guaranty Trust Bank Plc., and then worked in Diamond Bank Limited, as well as First Atlantic Bank Plc. before joining Guardian Express Bank Plc. in 2001 as the Group Head, Telecoms and Technology. He was the pioneer Chief Executive Officer of Guardian Express Mortgage Limited in April 2004, and was appointed Deputy Managing Director/Chief Operating Officer of Spring Mortgage Limited in September 2006, following the merger of banks that birthed Spring Bank Plc.

He has had varied experience in banking, covering areas like Credits and Marketing, Financial Control, Strategy and Planning, Treasury, banking Operations, Branding and Communications, Mortgage Banking etc, and has performed exceptionally in all these areas of banking. He has attended several foreign and local courses including courses at the Cranfield University, United Kingdom, INSEAD University, Abu Dhabi Campus, IESE Business School of the University of Navarra, Spain, Shanghai Jiao Tony University, China, National University of Singapore, Wharton School, University of Pennsylvania, Canada Mortgage & Housing Corporation, Canada, World Bank Head Office, Washington D.C. USA, etc.

Mr. Razack Adeyemi Adeola
Position: Non- Executive Director
Company: Group Managing Director / CEO Sterling Bank Plc
Other Board memberships/Committee: Kakawa Discount House Ltd

Yemi Adeola has over 25 years of professional experience spanning banking and finance, law, corporate consulting and academia.

Mr. Adeola joined Citibank Nigeria in 1988, where he served in various capacities. In 1998, he was appointed to the Board of Directors as an Executive Director, responsible for the Commercial Banking business (ETM), a position he held until June 2003 when he left the bank to pursue a turn-around assignment as Deputy Managing Director of Trust Bank of Africa Limited. Following the merger of Trust Bank of Africa with four other Nigerian banks to form Sterling Bank in January 2006, he was appointed Executive Director, Corporate & Commercial Banking, a position he held till 2007 when he took over as Managing Director/CEO.

Mr. Adeola studied Law (LLB Hons) at the University of Ile-Ife, Nigeria, graduating in 1982 and obtained his BL (Barrister at Law) from the Nigerian Law School in 1983. He holds an LLM with specialisation in Law of Secured Credit Transactions and International Economic Law from the University of Lagos, 1985. He is a J.F. Kennedy Scholar.

Mr. Hassan Musa Usman
Position: Non- Executive Director
Company: Group Managing Director / CEO Aso Savings and Loans Plc.
Other Board memberships/Committee: NSIA

Hassan Usman's wealth of experiences in the industry has been recognized both locally and internationally, with myriad of awards and commendations. Among others, in 1998 he received the Citibank Service of Excellence Award, and in 2003 he also received the most outstanding World Bank/USAID funded consultants Award. A Chartered

Accountant, Mr Usman has over 23 years' experience in Finance and Investment Advisory and Privatisation Services, covering various sectors and global regions.

Prior to becoming CEO of Aso, Mr. Usman served as Executive Director (Investments) at Abuja Investment and Property Development Company Ltd. He has also headed key units of the Bureau of Public Enterprises, including Petrochemicals and Gas, Transport Sector Reform and Telecommunications from 2000 to 2004. Mr. Usman had also spent 7 years at Citibank Nigeria from July 1994 until 2000, Hassan headed the Structured and Cross-border Finance Team within its Corporate Finance Group. Mr Usman also previously served as a member of the Governing Council of the Nigerian Stock Exchange.

During this time he helped to arrange over 500 million US Dollars' worth of transactions and arranged millions more in developmental loans from multilateral institutions. This followed stints managing Capital Markets and Corporate Banking relationships. Prior to Citibank, he worked for 3 years between 1990 and 1993 within the Financial Markets Division of Arthur Andersen S.C. London, and before then, as Research Assistant in the International Economic and Monetary Relations department of the Central Bank of Nigeria, Lagos.

Mr. Usman graduated with a BA, in Economics from the University of Sussex in 1988, and an M.Phil in Development Economics from Darwin College, University of Cambridge in 1989. He is an Associate of the Institute of Chartered Accountants in England and Wales. He is also a Registered US National Association of Securities Dealers Series 7 Investment Banking Representative.

PROFILE OF MANAGEMENT & KEY PERSONNEL

Prof. Charles Inyangete
Chief Executive Officer

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Kehinde Ogundimu
Chief Financial Officer

Mr. Ogundimu is the Chief Financial Officer at NMRC. He is a seasoned financial management professional with over 20 years' experience in financial services, energy and public accounting. He started his career with PricewaterhouseCoopers in 1991 and subsequently worked at Texaco Overseas (now Chevron Nigeria Limited) between 1997 and 2001 before moving to USA. While in the U.S, Mr. Ogundimu worked in various capacities at Pepco Energy Services between 2001 and 2003, Freddie Mac (2004), Fannie Mae (2004 – 2012) and finally at Capital One Bank (2012 – 2014), where he led the accounting function in the implementation of Murex (a derivatives management system) and in the consolidation of several loan origination and loan servicing platforms.

Mr. Ogundimu is an Electrical Engineering graduate of the University of Ibadan (1989) and has an MBA from the University of Lagos (1996). He is a member of the Institute of Chartered Accountants of Nigeria (ACA (1996), a member of the American Institute of Certified Public Accountants (CPA) (2003) and a Chartered Financial Analyst (CFA) Charterholder (2010).

Dr. Chii Akporji
Director - Policy, Corporate Strategy & Partnerships

Dr. Akporji is Director - Policy, Corporate Strategy & Partnerships at NMRC. Dr. Akporji has over twenty years' experience in finance, housing and economic development. She is the National Coordinator of the Nigerian Housing Finance Project sponsored by the Ministry of Finance/World Bank Group in Nigeria for enabling home ownership, enhancing job creation and increasing economic growth in Nigeria. Dr. Akporji is also the Senior Advisor to the Coordinating Minister for the Economy and the Honourable Minister of Finance, Federal Republic of Nigeria.

Dr. Akporji has served in various capacities at the World Bank Group including as Coordinator on Communications and Partnerships for Cities Alliance between 2005 and 2012; Development Communications Consultant for the Africa Region between 2003 and 2004; and Publications Officer, External Affairs and UN Relations Divisions between the period of 2000-2003. Other positions held by Dr. Akporji include Managing Director/CEO of Minaj Media Group UK between 1998 and 2000 and Deputy Editor, The Financial Post News Magazine between 1988 and 1990.

Dr. Akporji attended the University College, Dublin, Ireland where she obtained her B.A (in combined honours) in English Literature & Geography (1979). She holds a Master's degree in Modern Anglo-Irish Studies from the University of Ottawa, Canada (1982) and a Ph.D. in Comparative Literature from the University of Nigeria, Nsukka (1987). Dr. Akporji also holds other certificates including a Certificate in Publishing Management from Radcliffe College at Harvard University (1992), Executive Management Certificate, Stanford University Executive Programme (under the auspices of World Bank Middle Management Training Programme) (2002) and Diploma in Project Management from Montgomery College, Rockville (2006).

Kanayo C. Mba
Head, Treasury, Funding & Issuance

Kanayo joined NMRC as Head, Treasury, Funding & Issuance and has a wealth of experience in fixed income and foreign exchange trading and investments spanning over a decade.

Shortly before he joined NMRC, Kanayo was the Head, Fixed Income Trading/Investments and the Ag. Head of Derivatives at the treasury group of Diamond Bank Plc., where he commenced his career as an executive trainee in October 2000. Kanayo is a certified treasury professional and a member of both the Financial Market Dealers Association (FMDA) and the Association for Finance Professionals.

Mr. Mba obtained his Bachelor's degree in Engineering from the University of Nigeria, Nsukka (1998) and a Master's degree in Business Administration (Investment and Risk Management) from Imperial College, London (2013).

Phyllis C. Uzoma
Head, Risk Management

Phyllis is Head, Risk Management at NMRC. She has extensive experience in credit risk management and evaluation. Phyllis started off her career as a credit risk management officer at Citibank Nigeria Limited (a member of Citigroup) in July 2002 where she spent over six years at the credit risk department of the bank. Mrs. Uzoma also worked as the head of the credit administration department at Zenith Bank Plc. between August 2008 and October 2010, before going on to head the credit evaluation arm of the risk management division of Keystone Bank Plc.

Phyllis obtained her B.Sc. in Industrial Chemistry from the University of Nigeria (2001) and is currently undertaking her Master's degree in Finance (Economic Policy) at the University of London (ongoing). Phyllis is also an associate member of the Risk Managers Association of Nigeria (RIMAN).

The Information in this section has been extracted from documents and publications publicly available and released by various public and private organisations such as the CBN, the Economic Intelligence Unit (EIU), World Development Indicators, the World Bank, International Monetary Fund, National Bureau of Statistics, other financial magazines and journals. Neither the Issuer nor its advisers are able to ascertain if facts have been omitted that would render the reproduced information inaccurate or misleading. The Issuer and its advisers have relied on the accuracy of this information without independent verification and make no representation as to its accuracy or otherwise.

Introduction

The Federal Republic of Nigeria is located in West Africa and shares land borders with the Republic of Benin in the west, Chad and Cameroon in the east, and Niger in the north. Nigeria is the largest economy in Africa, classified within the lower-middle income countries group by the World Bank, 6th largest in the Organisation of Oil Producing Countries (OPEC) and 10th in the World. Following a "rebasing exercise", Nigeria emerged Africa's largest economy with an estimated GDP of US$516.25 billion (₦86.47 trillion) between Q4, 2013 and Q4 2014 but with a relatively low GDP per capita of c. US$2,688 in 2013 and a gini-coefficient of 48.8 in 2010. The economy is heavily dependent on the oil sector, which accounts for over 80% of government revenue and about 90% of foreign exchange earnings. The country displays the characteristics of a dual economy; a modern economy heavily dependent on oil earnings and a traditional subsistent agricultural economy.

Over the last decade, several initiatives have been put in place to improve the country's macroeconomic management and international image. In the recent past, tighter controls on monetary policy, financial sector reforms and the use of oil revenues to reduce Nigeria's debt burden have considerably bolstered the country's external reserves position. In April 2006, Nigeria became the first African country to negotiate and then fully repay its Paris Club debt which was estimated at US$30.5 billion. In terms of debt-to-GDP ratios, Nigeria ranked sixth out of 60 countries considered with a relatively low debt to GDP ratio estimated at 18.6% as at 2012. Nigeria's debt to GDP ratio measured year on year as at Q3 of 2014 stood at 13%. Nigeria's external debt obligation as at September 2014 is estimated at US$9.13billion[1].

Nigeria is the most populous country in Africa (and the eighth most populous country in the world) with an estimated population of over 177.2 million people[2] as at 2012 and an annual estimated growth rate of c.2.47%.

Key Demographic Information	
Estimated population (million)	177.2
Estimated population growth rate (%)	2.47
Urban population (as a % of total)	49.6
Rate of urbanization (%)	3.75
Age structure (as a % of population):	
- 0 to 14 years	43.2
- 15 - 64 years	53.7
- 65 years and over	3.0

Source: Central Bank of Nigeria Annual Report; World Development Indicators; CIA - The World Fact Book

Political Structure and Government

Nigeria is a Federation made up of three tiers of government — Federal, State and Local Governments. The 1979 Constitution was amended in May 1999 and it provides for a tripartite structure of government in which power is divided among the Executive, Legislative and Judicial branches. It establishes and sets out the powers and functions of the President (executive), the National Assembly (legislative) and an independent judicial system (judicial). Nigeria has adopted a presidential system of government with the executive powers of the Federal Government vested in the President. Such executive powers, subject to the provisions of the Constitution and any law made by the National Assembly, may be exercised by the President directly or through the Vice-President and ministers of the government or officers in the public service of the federal government. The President is elected by popular vote for a four-year term and is eligible to be elected to a second (and final) term. In addition to being the head of government, the President is also the Head of State and the Commander-in-Chief of the armed forces of the country.

The legislative powers of the Federal Government are vested in the National Assembly, which consists of a Senate and a House of Representatives. The current House of Representatives has 360 members who are elected in single member constituencies. Members serve four-year terms, continually renewable for a further four-year term. The

[1] Debt Management Office
[2] Source: CIA – The World Fact Book

number of seats per state is based on the population of each state. The Head of the House of Representatives is called the Honourable Speaker. The Senate is made up of members elected into that upper house for a four-year term continually renewable for a further four-year term. Each Nigerian state elects three senators while the federal capital territory, Abuja, elects one (109 seats in total). The Head of the Senate is referred to as the Senate President.

In accordance with the Constitution, judicial authority is vested mainly in the following courts: the Supreme Court; the Court of Appeal; the Federal High Court; the State High Courts, Sharia Court of Appeal and the Customary Court of Appeal of the Federal Capital Territory, Abuja; Sharia Court of Appeal and Customary Court of Appeal of each state and such other court as may be authorised by law to exercise jurisdiction over matters

The Supreme Court is the highest court in Nigeria. The Constitution also establishes the election tribunals and authorises the National Assembly to constitute other tribunals as may be required. The more prominent of these special "courts" are the Investments and Securities Tribunal, which handles disputes in relation to capital market activities, and the National Industrial Court, which deals with labour matters.

Each state is governed by a Chief Executive (known as the Governor) who is elected to a four-year term of office and is eligible for a second (and final) four-year term. The Governor is assisted in carrying out his or her functions by a Deputy Governor who is also elected on terms identical to the Governor. The Governor is empowered to appoint Commissioners and Advisers and to assign responsibilities to them.

The legislative powers of a state are vested in a unicameral legislative body called the House of Assembly. It is made up of representatives from all the Local Government Areas within the state and exercises identical functions at the state level with those of the National Assembly at the Federal level. A State House of Assembly consists of not less than twenty-four and not more than forty members. State governments are vested with the power to collect the personal income tax of their residents, impose sales tax and to impose and collect certain forms of stamp duties among others.

There are 774 Local Government Councils in Nigeria. Each Local Government Area (LGA) is administered under a Local Government Council consisting of a Chairman who is the Chief Executive of the LGA and other elected members who are referred to as Councillors.

Politics and Economy

After several years of military rule, Federal Government of Nigeria returned to democratic rule in 1999 with the election of Chief Olusegun Obasanjo as its first civilian ruler. Chief Olusegun Obasanjo served two terms of four (4) years each as the President of the Federal Republic of Nigeria. Following the elections of April 2007, Alhaji Umaru Yar'Adua emerged as the president, marking the first successful transition from one civilian government to another in Nigeria's 49 year history.

The administration promised to tackle the major problems affecting Nigeria as included in a 7 – point agenda, which included the following sectors:

- Power and Energy;
- Food Security and Agriculture;
- Wealth Creation and Employment;
- Transport;
- Land Reform;
- Security; and
- Education.

However, after the death of President Umaru Yar'Adua, Vice-President Dr. Goodluck Ebele Jonathan was sworn in as the President of Federal Republic of Nigeria on May 6, 2010. Following his re-election in April 2011, President Jonathan's administration continued the implementation of the Transformation Agenda and other development plans of the Nation. Nigeria's economic activities is currently being affected by certain economic indicators, one of which is the drastic drop in oil prices given the fact that oil revenue constitutes about 71% of the country's export. The benchmark oil price in the 2015 budget is currently put at $53, as a result of the significant reduction in the oil price. Other activities such as the just concluded elections and the activities of terrorist organisation, Boko Haram, which have killed more than 2,000 people since 2011 are some factors that have affected economic activities in the nation.

The Nigerian Economy

Gross Domestic Product

Nigeria's macro-economy has recorded significant growth over the past seven years with GDP growing from ₦24.08 trillion in 2004 to ₦42.40 trillion in 2013. However, post-rebasing figures reveal a nominal GDP of ₦80.22 trillion in 2013 and a GDP of ₦ 86.47 year ending September 2014. The growth in domestic output has for the past few years been driven mainly by the non-oil sector. According to the 2014 report from the National Bureau of Statistics (NBS), the economy grew by 6.21% in the first quarter, up from 6.56% recorded in the same period of 2013. In the second quarter, the economy grew by 6.54% an increase from 6.18% posted in the corresponding quarter of 2013. The economy recorded growth rates of 6.23% in the third quarter, up from 6.81% recorded in the previous fiscal year. The economy grew by 6.81% in 2013 pre-basing, compared to 6.58% recorded in 2012. Whilst post-rebasing figures show a growth rate of 7.41% in 2013, up from 5.09% and 6.66% in 2011 and 2012 respectively.

A summary of recent macro-economic indicators for Nigeria is shown below. These illustrate the improving economic environment in recent years.

Key Economic Indicators

	2006	2007	2008	2009	2010	2011	2012	2013
GDP (current US$)	145.4	165.9	207.1	168.6	228.6	244.0	262.6	510*
GNI per capita (US$)	830	960	1,150	1,150	1,240	1,260	1,430	2,688*
Real GDP growth (%)	6.00	6.50	5.98	6.96	7.98	7.43	6.58	7.41
Population	143.3	147.0	150.7	154.5	158.4	162.5	169	168.8
Consumer price inflation (%; average)	8.38	5.42	11.53	12.43	12.69	10.85	12.24	8.52
External reserves (US$ billion)	42.2	51.3	53	42.4	32.35	32.9	44.2	43.6
Average exchange rate (/$)	128.7	125.8	118.9	150	151.9	155.9	156.3	155.8
End-period exchange rate (/$)	128.3	117.9	132.5	148	152	159.7	156.2	155.7

** Post rebased figures*

Source: Central Bank of Nigeria, National Bureau of Statistics, World Bank, EIU Country Report for Nigeria

External Debt

The nation's total external debt stock as at September 2014 stood at $9,518.95 million. In December 2013, debt stock was $8,821.90 million and represented an increase of 35.16% over 2012 figure ($6,527.07 million) and 55.68% over 2011 external debt stock. Debt owed to multilateral organizations (World Bank Group and the African Development Bank Group) accounted for 71.13% of total external debt stock as at December 2013 and 80.70% of external debts in December 2012. Whilst debt owed bilateral organizations accounted for 11.63% of external debts as at December 2013. Following the Paris Club debt relief in 2006, Nigeria is still among the countries with the lowest debt to GDP ratio in the world. In terms of debt-to-GDP ratios, Nigeria ranked sixth out of 60 countries considered with a relatively low debt to GDP ratio estimated at 18.6% as at 2012 (fig. 4). We also note that Nigeria's debt to GDP ratio further declined post-rebasing to 11% in 2013. Nigeria's external debt obligation as at December 2013 is currently estimated at US$8.822billion. (16.17% of total outstanding debt)

Oil and Gas Production

In the third quarter of 2014, average daily production of crude oil was 2.15mbpd, a decrease from 2.26mbpd recorded in the third quarter in 2013 and 2.21mbpd in 2012. . The decline in Nigeria's oil production was attributed to high incidence of production shutdowns, pipeline vandalisation and intensified oil theft incidents which significantly disrupted production levels as some oil companies declared force majeure during the course of the year. It is expected that the Federal government would intensify efforts to plug various leakages in order to further boost the nation's oil production from current levels, particularly in view of the assumption of oil production estimate of ~2.27mbpd in the 2015 Budget down from 2.38mbpd in 2014. Though, the outlook on oil growth seems weak based on the performance in preceding quarters, we expect that the anticipated passage of the Petroleum Industry Bill (PIB) centered on a complete overhaul of the legal, regulatory and fiscal frameworks of the Oil & Gas Industry is a critical key driver of future growth.

Domestic Debt

Nigeria's domestic debt trend mirrored that of its external debt according to the DMO. The nation's total domestic debts rose from N7.12 trillion in December 2013 to N7.65 trillion by September 2014. The Federal Government's principal source of raising domestic capital between 2003 and 2006 was treasury bills. However, we have witnessed a shift to the issuance of Federal Government Bonds which accounts for approximately 59.31% of the domestic debt stocks as at December 2013. The rise in the nation's domestic debt stock was as a result of the need for the government to provide long term funding for its planned infrastructure developments and budgetary allocations.

Monetary Policy and Inflation

In line with the CBN Act, 2007, one of the principal functions of the Central Bank of Nigeria is to "ensure monetary policy and price stability". In order to facilitate the attainment of the objective of price stability and to support the economic policy of the Federal Government, the Act provides for the constitution of a twelve (12) man Monetary Policy Committee (MPC) with the Governor of the CBN as the Chairman. The CBN recognizes that achieving stable prices would require continuous assessment and evaluation of its monetary policy implementation framework to enable it respond to the ever-changing economic and financial environment. Based on the foregoing, the CBN introduced a new monetary policy framework that took effect on 11th December, 2006 with the "Monetary Policy Rate" (MPR) as the Operating Target rate. The ultimate goal of this new framework is to achieve a stable value of the domestic currency through stability in short-term interest rates around which serves as an indicative rate for transaction in the inter-bank money market as well as other Deposit Money Banks' (DMBs) interest rate.

A key priority of the CBN is to reduce interest rate over time and sustain the lower rate such that it provides access to lower cost of funds for the development of the real sector. In September 2009, the MPR was reduced by 50 basis points from 10.25% to 9.75% in order to address the liquidity shortage in the economy and increase credit to the private sector. MPR was retained at 13% at the meeting of Nigeria's Monetary Policy held in January 2015. Similarly, the liquidity ratio was retained at 30%. The major monetary policy challenges remain that of managing excess liquidity in a high interest rate environment.

Due to rising inflation and devaluation of the Naira against the dollar, the MPR was increased to 12% to stem these anomalies in the economy in 2011. The 2011 fiscal year was characterized by aggressive monetary tightening as Nigeria's Monetary Policy Committee (MPC) raised its benchmark interest rate six times in anticipation of upward inflationary pressures and to support the weakened local currency, from 6.25% to 12.0%, raised the Cash Reserve Requirement (CRR) three times from 1.0% to 8.0%; and the liquidity ratio. In October 2011, the economy felt the highest impact as the Monetary Policy Rate (MPR) was increased by 275 basis points to 12.0% from 9.25%. The foreign exchange net open position of DMBs from 5.0% to 3.0%, and adjusted the mid-point of the exchange rate band from N150/US$1 to ₦155/US$1. The MPR was maintained at 12.00% throughout 2013. With the MPR being stable at 12%, CBN has significantly curtailed the upward inflationary trend as inflation declined from 15.1% in December 2009 to 8.50% as at March 2015.

Fiscal Policy

In recent times, Nigeria's approach to the formulation of fiscal policies with respect to its expenditure has been to benchmark its budget below the expected price of crude oil in the international market as the revenue from oil contributes about 80% of the country's earnings. However, the 2015 budget is based on a benchmark of US$65 per barrel of crude oil despite the continuous drop in price which as at January 2015 averaged US$48 per barrel. Based on the current price of crude oil, this puts the country revenue generation under stress and Government have been discussing several initiatives to improve on revenues. Also, it is expected that the global price of crude oil will stabilize during the second quarter of 2015.

The 2015 budget was underpinned by some assumptions which included a projected oil production level of 2.28 million barrels per day, down by 4.6% from the 2.39million barrels per day projected for 2014. The benchmark oil price is set at US$53/barrel, a modest decrease from the US77.5$/barrel approved in the 2014 Budget. This oil-price-based fiscal rule has ensured that the economy stays focused on the improvement of budget execution and enhancement of public financial management.

The fiscal policy as outlined under the National Economic Empowerment and Development Strategy ("NEEDS"), a comprehensive economic reform strategy, is intended to provide for infrastructural development necessary for an improved and efficient business sector, and improving the quality of life of Nigerians. It is modelled after the IMF's Poverty Reduction and Growth Facility for fiscal and monetary management. The State Economic Empowerment and Development Strategy ("SEEDS") were developed to complement NEEDS at the state level. NEEDS influenced the establishment of the current administration's Transformation Agenda which buttresses the need for basic infrastructure and social developments with the major target being the creation of employment and wealth.

REFORMS IN THE NIGERIAN ECONOMY

Agriculture

The Nigerian economy has traditionally been based on agriculture which has been the main foreign exchange earner until the growth of the oil industry. It is currently the largest employer of labour accounting for over 60% of employment. The sector (including crop production, livestock, forestry and fishing) recorded a contribution to real GDP of 26.63%% in the third quarter of 2014. The growth in the oil industry is believed to have attracted many people to urban centres, to the detriment of the agricultural sector. Periodic declines in world oil prices have prompted the government to offer incentives to support the agricultural sector with the aim of diversifying the export base away from oil. The development of the sector is one of the items on the current administration's Agricultural Transformation agenda. Although massive investment is needed to modernise the sector, the country's favourable weather conditions and improving government support has contributed to the growth in agricultural production since 2005. According to the CBN, growth in crop production in the last few years has surpassed the population growth rate. The country's major crops are cocoa, corn, peanuts, sorghum, millet, soybeans, cotton, yam, rice, palm kernel, and rubber. In addition, poultry, goats, sheep, and cattle are raised in the country. The country's forestry output has been improving in recent years albeit at a low rate and the country is estimated to be Africa's largest producer of wood. The bulk of the wood production is burnt as fuel and a smaller proportion is made into timber, plywood and paper.

Efforts have been directed by the federal government towards the transformation of the agricultural sector in recent times. In May 2009, the Federal Government through the CBN established a fund of ₦200 billion; a Commercial Agricultural Credit Scheme to promote commercial agricultural production in the country. The fund is to encourage commercial banks' lending to agricultural companies at a single digit interest rate. In 2013, fiscal measures were introduced in a bid to develop the agricultural sector. Machinery and spare parts imported for local sugar manufacturing industries attracted 0% duty and a 5-year tax holiday was given to "sugarcane to sugar" value chain investors. Furthermore, import duty and levy on raw sugar stood at 10% and 50% respectively, while refined sugar attracted 20% duty and 60% levy. In addition, 10% import duty and 100% levy was applied to both brown and polished rice.

Solid Minerals

Prior to the emergence of the petroleum industry, solid minerals exploration was one of the key sectors of Nigeria's economy. Until the 1960s, coal and tin were mined in places like Jos and Enugu and exported on a large scale but poor management by state-owned enterprises led to a decline in existing operations. Nigeria is one of the countries with the highest concentration of varieties of solid minerals in Africa. The solid minerals sector is among the vital sectors that hold the key to the successful implementation of the Government's efforts at diversifying the economy for sustainable development. It is expected that 34 solid minerals of abundant commercial quantities will soon be subject to bidding rounds for prospecting and exploration. Mining and Quarrying sector contributes significantly to the real GDP with a contribution of 10.58% in the third quarter of 2014.

Oil & Gas Production

Oil and Gas
Crude oil is the leading natural resources extract in Nigeria and is by far the highest earner of foreign exchange. It is the second largest contributor to GDP after agriculture and the country generates over 90% of its total export earnings from oil production.

Oil was discovered in Nigeria in 1956 at Oloibiri in the Niger Delta region after half a century of exploration. The discovery was made by Shell-BP, which was at the time the sole concessionaire. In 1958, the Nation's first oil field came on stream with a production level of 5,100 barrels per day (bpd). Nigeria joined the Organisation of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (NNPC) in 1977. By the late sixties and early seventies, Nigeria had attained a crude oil production level of over 2 million barrels per day (mbpd). The oil boom of the 1970s was subsequently followed by the collapse of the world oil market in the 1970s which led to a substantial drop in production and consequently the economic recession. This period was characterized by weak economic growth, low oil prices, inept structural reforms and military rule. This situation prevailed for the better part of the 1980s and 1990s. In the early 2000s, Nigeria's oil production and oil price recovered strongly. Nigeria's average oil production was estimated at 2.20mbpd in 2013, as against 2.47mbpd produced in 2012. Although the oil sector benefited immensely from relatively high international prices coupled with the relative stability in the exchange rate of Naira against US Dollar.

Nigeria is the largest oil producer in Africa, 6th largest in the Organisation of Oil Producing Countries (OPEC) and 10th in the World. Proven crude oil reserves in Nigeria are estimated to be 36 billion barrels expected to last for about 46 years and about 178 trillion cubic feet (TCF) of proven natural gas reserves. The majority of the country's oil reserves are found in the country's Niger Delta region in the southern part of the country and offshore in the Bight of Benin, Gulf of Guinea and Bight of Bonny. The vast majority of natural gas found in Nigeria is associated, meaning that it occurs in Crude Oil reserves as free gas. Because many of the fields lack the infrastructure to produce the associated natural gas, it is flared. Nigeria flares more natural gas than any other country in the world, with 43% of its total annual natural gas production being flared. This prompted the Nigerian Senate to set a new deadline for oil companies to end gas flaring by December 13, 2010. Recently, the gas flaring has reduced as a result of gas distribution companies utilising the gas to generate power across the country. The Nigerian gas produced for sale increased to 4.3 billion cubic feet per day in 2011 out of which 1.1 billion cubic feet per day is sold domestically.

Manufacturing and Industry

Nigerian manufacturing companies operate in a difficult business environment where high operating costs and high energy costs resulting from incessant power failure remain prevalent in the industry. The manufacturing sector contributed 9.83%% to the real GDP in third quarter of 2014. However, there was a drop in the contribution to the real GDP compared to prior quarter, second quarter of 2014 which contributed 10.16% in the period. Despite the challenges, the manufacturing sector has strong potential for growth given the large population and growing brand consciousness.

There are positive signs that activities in the manufacturing sector will experience further improvement as the Federal Government of Nigeria is keen on improving power supply by achieving the 6,000 megawatt power generation target by the end of the current fiscal year. Economic policies have been designed to encourage growth in the sector; for instance, the ban on the importation of various consumer goods has compelled consumers to look to locally available alternatives. The major products manufactured in Nigeria are textiles, footwear, consumer products, tobacco products, paper, cement, fertiliser, chemicals, steel, and processed agricultural goods.

Financial Markets

The Financial Institution sub-sector comprises banking and insurance firms, capital markets, investment management, real estate, and regulatory. On 6th July, 2004, the CBN announced its plan to comprehensively reform the Nigerian Banking System. The plan, a 13-point reform agenda, allowed for an increment in Commercial Bank's capital base or shareholders' funds from ₦2bn to ₦25bn. This led to a reduction of the number of banks from 84 to 24. This and other factors led to decline in equity market capitalization on the Nigerian Stock Exchange (NSE). The state of the Nigerian capital market is largely affected by the state of the financial industry which accounts for about 20% of market capitalisation.

Nigeria's capital market witnessed a sharp decline as a result of the 2008 financial meltdown amongst other factors. The market capitalization to GDP rose from 12.61% in 2012 to 16.49% in 2013. In performing its developmental role the Securities and Exchange Commission (SEC), the main regulatory institution of the Nigerian capital market undertook a number of reform activities. The Commission conducted a review of the 2003 Corporate Governance Code in its capital market reform in order to address weaknesses in current practices and strengthen governance and disclosure by public companies, the adoption of International Financial Reporting Standards (IFRS) by listed companies. The Commission also instituted a 40% downward review of fees and commissions and introduced rules to guide book building and shelf registration which are expected to enhance market operators' ability to raise fixed income while giving investors' confidence.

In addition, the NSE in April 2012 announced the names of 10 market makers, as part of efforts to bring back liquidity and depth into the embattled market. Furthermore, the NSE took the decision to also review the listings rules, under the new rule, a company seeking listing on the main board must be registered as a public liability company with minimum of three years' operating track record and meet the stated profit test or capitalization rule while the company on Alternative Securities Market (ASeM) must be registered as a public liability company with minimum of two years' operating track record and must provide a comprehensive business plan covering a period not less than two years.

The Nigerian Bond market has witnessed significant growth and activity in the last three years, as the value of transactions has increased since 2006, reaching a value of about ₦7.10 trillion as at July 2013. This increase was mainly on the back of newly issued sub-national and corporate bonds. Despite the rally in bond prices, the bond market still represents less than half of the stock market in capitalization terms. In 2012, the Nigerian bond market witnessed a reduction in the level of activities compared to 2010 levels, as the CBN strengthened its monetary tightening policies over the course of the year, the high interest rates deterred corporate bodies from raising funds within the Debt market. As at July 2013, the NSE recorded 25 Federal bonds with market cap of ₦4.74trillion; ₦497 billion of outstanding state bonds; and ₦150.24 billion of outstanding corporate issues as at August, 2013.

J.P. Morgan announced that by October 1, 2012, FGN Bonds have been accepted for inclusion in one of its widely used Bond Indices: Government Bond Index-Emerging Markets (GBI-EM). J.P. Morgan describes the Index as the first comprehensive global local Emerging Markets index, and consists of regularly traded liquid fixed-rate domestic currency government bonds to which international investors can gain exposure.

The inclusion of FGN Bonds in the GBI-EM, followed the DMO's engagements with J.P. Morgan, who based on their independent assessment of the FGN Bond Market, issued a statement on August 14, 2012 announcing that 3 FGN Bonds with tenors of 3, 7, and 10 years benchmark bonds have been selected for inclusion in the GBI-EM. Until this announcement, South Africa was the only African Government whose Bonds are included in the Index. Other countries in the Index are Brazil, Chile, Columbia, Hungary, Indonesia, Malaysia, Mexico, Peru, Philippines, Poland, Russia, South Africa, Thailand and Turkey.

In November 2012, Barclays (An international bank) announced a few selected FGN Bonds would be included in its Emerging Markets Local Currency Bond Index (EM-LCBI). The announcement and other details made available by Barclays, stated that the inclusion is expected to bring an inflow of about USD$1.1billion will be included in the Index in March 2013. Nigeria and Romania are the only 2 countries whose Governments local currency Bonds were added to the Index in March 2013.

The announcement came on the heels of the recent inclusion of 3 FGN Bonds in the J.P. Morgan's Government Bond Index Emerging Markets (GBI-EM), it is evident that the investments made by the Debt Management Office (DMO), the Primary Dealer Market Makers (PDMMs) and other notable stakeholders in the domestic Bond Market towards the development of the FGN Bond Market, have largely achieved the desired results. The addition of Nigeria and Romania in March 2013 to the EM-LCBI, will bring the number of countries to 21, out of which only 3 are African countries: South Africa, Egypt and Nigeria. The Index is comprised of major emerging market countries including BRICS countries such as Brazil and Russia, as well as, Turkey, Mexico, Columbia, Philippines and Indonesia. Israel, South Korea and Czech Republic, though classified as advanced countries, are also included in the EM-LCBI.

The DMO expects that the benefits which have already begun to accrue to Nigeria from the inclusion of FGN Bonds in the J.P. Morgan GBI-EM in October 2012 will be re-enforced by this development. Some of these benefits are:

1) Increased inflow of foreign investments into Nigeria, leading to:

    i) Larger investor base for the domestic securities market.

    ii) Higher foreign exchange inflows, increase in external reserves and stability in the Naira.

2) Improved perception of Nigeria, since it is now grouped in Indices dominated by strong emerging market countries

Nigeria also adopted and implemented insurance sector reform as part of its economic restructuring program through several stages from 2004-2007. The reform was conceived in order to improve functionality in this insurance arena and aid in the acceleration of the country's economic growth.

The need for adequate liquidity in the industry to ensure that the banks meet up with their credit obligations to the other sectors for economic growth was constrained by the distortions that the banking industry experienced in 2008, which continued to the third quarter of 2009 especially the recent banking sector reforms initiated by the Central Bank of Nigeria to recover non-performing and bad loans from banks' customers. The problem was a carryover from the global financial and economic meltdown via risky exposure of the banks to the oil sector and the Nigerian stock market.

In 2013, IFC, a member of the World Bank Group, issued a Nigerian local currency bond in the bond market. The IFC Bond was 50% larger than the original ₦8 billion planned totalling N12 billion (US$75 million). The issue, called the "Naija bond", is IFC's first naira-denominated bond. It is also the first placement by a non-resident issuer in Nigeria's domestic capital markets.

FMDQ OTC

FMDQ OTC Plc ("Financial Market Dealers Quotations") is a Securities and Exchange Commission (SEC) licensed and self-regulated platform for over-the-counter (OTC) trading of fixed income securities. It was established with aims to strengthen the governance of the fixed income market and position the Nigerian money market for improved price formation through the emergence of a transparent corporate interest rate fixing in the Nigerian OTC market. FMDQ's responsibilities extend into other OTC markets including currencies and derivatives.

In a bid to develop the Nigerian wholesale money market, it become pertinent that a comprehensive code of conduct and operating rules be instituted to guide the two-way quote market in trading money market instruments; hence the formation of FMDQ whose activities are also aimed at promoting governance among listing companies.
Some of the money market instruments expected to trade on FMDQ's OTC Platform are Nigerian Treasury Bills, Commercial papers and Bankers' Acceptance (BAs). Its commercial paper market development initiatives provide detailed information on both issuer and issues, the aim of which is to build a robust and trusted structure around the issuance and quotation of CPs.

FMDQ has adopted the existing Financial Markets Dealers Association (FMDA) rules which complement the provisions of the Central Bank of Nigeria's 2007 Money Market Dealership System in Nigeria: Operational Procedure. FMDQ has also embarked on key activities such as Nigerian Interbank Offered Rate (NIBOR) reforms which will entail the strengthening of benchmark design and governance of the NIBOR process in order to enhance its credibility.

FMDQ released an exposure draft of its CP Quotations Rules; in August 2014, detailing documentation requirements and Issuing, Paying, and Collecting Agent (IPCA) responsibilities, for review by the market. The final copy of the CP quotation rules was released in October 2014 upon receiving a "no-objection" from the CBN in September 2014. The re-organization of the CP market has come at an auspicious time for the primary mortgage market with the advent of the proposed warehouse financing facility. A smooth running and well-functioning money market is essential to the success of the commercial paper program required for warehouse funding.

FMDQ membership and recent activities in the Commercial Paper Market

Following the release of the Commercial Paper Quotation Rules, FMDQ has witnessed a surge in response as well as interest from intended users of the platform. The total membership on the FMDQ platform as at time of writing this plan include: 26 Dealing members, 23 Registration members; 12 Listings members and 11 Quotations members, 13 Associate Members, 2 inter-dealer brokers, 6 brokers, and 5 end-user clients (investors in CPs)[3].

Among the end-user client currently registered on FMDQ include Stanbic IBTC Pension Managers Limited, Stanbic IBTC Asset Management Limited, ARM Pension Managers Limited, HIP Asset Management Company Limited, and FBN Capital Asset Management Limited. Information gathered from FMDQ indicates that there are more interests from more of the major institutional investors.

FMDQ recorded the first commercial paper issuance for quotation on its platform in the issuance of ₦100 billion Multi-Currency Commercial Paper Program by Stanbic IBTC Bank Plc. The issue took place on 3rd November 2014 and according to the FMDQ, this kicks off what is expected to be a stream of high quality commercial paper listings that will provide the necessary visibility and liquidity for the secondary market trading CPs on the platform. The confidence of investors in terms of transparency of the issuer and liquidity of the issue is further proof of the effectiveness of both the Commercial paper Quotation Process and rules of the FMDQ[4].

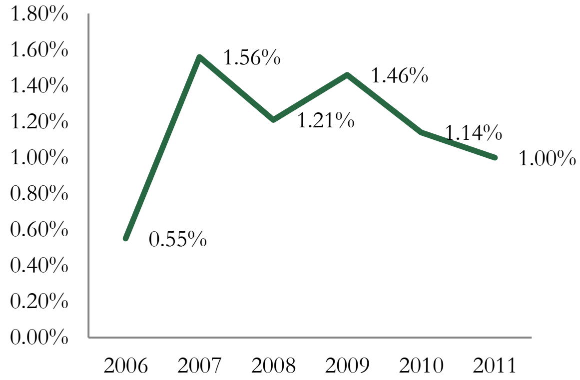
[3] Source: http://www.fmdqotc.com/members/
[4] Source: http://www.fmdqotc.com/fmdq-admits-stanbic-cp/, http://businessdayonline.com/.

This section demonstrates the market viability for the proposed investment in the mortgage industry. The section commences with a review of the housing market highlighting the fundamentals that will positively impact the Company. Given that the NMRC is expected to focus on refinancing mortgages, a review of key issues and the reform which is expected to drive the development of the industry is also presented and is concluded by a review of the future outlook of funding opportunities in the mortgage finance industry.

Introduction

The Nigerian mortgage industry is underdeveloped and generated less than 100,000 transactions between 1960 and 2009. The sector's aggregate loans to total assets fall far below the best practices standard of at least 70% as stipulated by the CBN. Only 5% of the 13.7 million housing units in Nigeria are currently financed with a mortgage. The value of mortgage loan assets outstanding in 2011 was ₦224 billion. While the number of mortgage loans increased from 4,560 in 2006 to 20,841 in 2011. The contribution of mortgage finance to Nigeria's GDP is close to negligible with real estate contributing less than 5%, and mortgage loans and advances at 0.5% of GDP, compared to 77% in the U.S., 80% in the UK, and 50% in Hong Kong.

Mortgage Loan as % of GDP



The value of new loan as a percentage of outstanding mortgage loan assets increased from 21.0% in 2006 to 32.0% in 2011. The annual growth of new loan as a percentage of outstanding loan assets averaged 25.4% over a 6 year period; this trend tends to suggest a growing mortgage market. The number of non-performing loans more than doubled from 2006 to 2011. Non-performing loans which stood at 1,387 in 2006 increased to 3,543 in 2011. On the average, non-performing loans increased by 431 annually[6]. The PMBs, which are the drivers of the market, accounted for 290 of the annual increase, while DMBs accounted for the rest; this depicts a growing mortgage market. According to DLM estimates, the mortgage market currently stands at ₦348 billion and is expected to hit ₦1 trillion by 2016.

There are three sub-sectors of the Nigerian housing finance market; (i) *the informal sector* – the largest, (ii) *the subsidized sector* - subset of the open market sector and benefits from subsidised loans from the National Housing Trust Fund and (iii) *the formal open market sector* - the upper income groups in the major urban centres.

Informal Sector

Most people live either in traditional villages in the rural areas or in informal settlements in the major urban areas. These settlements are visible in Lagos and the other major cities. In urban areas the housing is invariably poor quality, lacking the basic amenities, and overcrowded. The people living in this housing work in the informal economy and probably have no connections with any formal financial institution.

Housing facilities in this sector of the economy are usually built by the owners. A very primitive construction can be built quickly, overnight if necessary. More substantial homes are constructed over a period of years as the owner can afford to pay for materials or professional help. Rotating savings and cooperative credit associations play a role by providing short term loans to their members[7].

Subsidised Sector

The subsidised mortgage circuit in Nigeria involves a government agency, a provident scheme and a network of primary mortgage lenders:

- The Federal Mortgage Bank of Nigeria (FMBN/ the Bank) administers the provident scheme and also has other functions, although at present it is not a mortgage bank.
- The National Housing Fund (NHF) is a compulsory savings scheme to finance house purchases.
- PMBs disburse subsidized loans financed by the NHF, often combined with open market loans funded by retail deposits.

Formal Sector

[5] Source: http://www.housingfinanceafrica.org/country/nigeria/
[6] Mortgage Finance in Nigeria: The Central Bank of Nigeria and World Bank, October 2012
[7] Source: **Nigeria Financial System Strategy 2020:** Housing Finance March 2008 : Mark Boléa and Simon Walley

House purchase in the open market is difficult, the legal complication include: (i) mandatory governor's consent to property transactions; (ii) inefficient land management systems; (iii) high cost of property transactions; (iv) inadequate sources of cheap long term funding; and (v) inadequate structure of housing delivery.

Due to the complicated, time consuming process that applies to property transactions, there are two predictable outcomes that apply in any country where these circumstances occur: (i) the volume of transactions is lower than it otherwise would be; and (ii) various devices are used to circumvent the procedures and minimise the fees.

Federal Mortgage Bank of Nigeria (FMBN)

The FMBN coordinates the administration of the contributory savings scheme known as the National Housing Fund (NHF), established by legislation in 1992. The NHF is a pool that mobilizes long-term funds from Nigerian workers, banks, insurance companies and the Federal Government to advance loans at concessionary interest rates to its contributors. Technically, the Bank is 50% owned by the Federal Government, 30% owned by the CBN and 20% owned by the NSITF. However, only the Federal Government has contributed any capital. It is the intention that the capital base of the Bank should increase to ₦100 billion[8] (approx. $633 million).

Under the reform of the housing sector based on the Federal Government's 2002/2006 National Policy on Housing and Urban Development, the FMBN was restructured into a Federal Government-Sponsored Enterprise (FGSE) with more focus on secondary mortgage and capital market functions. To meet its mandate, the FMBN has shifted operational emphasis to expand its functions from only social housing on-lending. Under this mandate, it finances mortgages created by PMBs under the NHF and also gives Estate Development Loans (EDL) to real estate developers. The Bank's overall mandate is to promote the delivery of affordable and modern houses to Nigerians.

As a financial institution the Bank is supervised by the CBN. It now describes its role as being to:

- Enhance the NHF and encourage PMBs.
- Facilitation of land transactions by helping to secure improvements to the titling process.
- Facilitate quick foreclosure where this is necessary.
- Facilitate access to the capital markets by mortgage institutions.

The Bank has been involved in various initiatives to improve the functioning of the mortgage market, and can be seen as the 'champion' for mortgage finance within government.

Primary Mortgage Banks (PMBs)

Primary Mortgage Banks (PMBs) (initially called Primary Mortgage Institutions), which were established through Decree No 53 of 1989, as their name suggests, were intended to be specialists in mortgage lending, like savings and loans associations in the USA and building societies in Britain. Their role is to collect retail deposits and to make mortgage loans, both on the open market and as the only institutions through which loans from the NHF are distributed. However, they have low capitalization and poor governance. Public confidence has been low, which has meant that they have been unable to raise deposits. Until 1999, PMBs were regulated by the FMBN. In that year regulation was moved to the CBN, recognizing that they were banking institutions.

Mortgage services and products offered by PMBs include NHF loans, estate development loans, pension-linked loans, and LPO financing and overdraft facilities for their customers. Major challenges confronting the operations of the PMBs are NHF policy, structure of PMBs, the national economic climate, high cost of building materials, public apathy, difficulty of access to land and land documentation constraints, poor collateral, access to long term funds, cost and time of foreclosure, high interest rates and competitive finance market. Industry practitioners have suggested that the NHF policy should be reviewed, and that government should provide incentives such as tax rebates for building materials and for manufacturers to encourage the training of artisans to improve their skills and speed. Furthermore, there are serious concerns that the Nigerian land law should be reviewed to make access to land less cumbersome while cheap funding sources should be provided by government specifically for housing/mortgage finance.

Most PMBs are very small, have made non-substantial loans and engage in various real estate activities to keep their businesses going. Some are owned by the various states of Nigeria. Most of the larger PMBs are either subsidiaries of banks or are connected with banks. One of the largest; Union Homes is listed on the NSE. Other listed PMBs include Spring Mortgages, Abbey Building Society Plc., Aso Savings & Loans Plc. and Resort Savings & Loans Plc.

In 2012, the Other Financial Institutions Supervision Department (OFID) of the CBN released the revised guidelines in line with the proposed housing/mortgage finance reform agenda, which entails reforming and strengthening PMBs, developing institutional framework and the secondary mortgage market through adequate capitalization of PMBs, re-

[8] Source: **Nigeria Financial System Strategy 2020 :** Housing Finance March 2008 : Mark Boléa And Simon Walley

focusing PMBs, standardization of mortgage underwriting, capacity building and professional development as well as promoting mortgage insurance and establishment of a Mortgage Liquidity Facility.

Under the 2012 revised guidelines, mortgage firms have been categorized into National and State mortgage firms, while the National PMBs are allowed to operate in any or all parts of the federation after capitalisation of at least ₦5 billion minimum paid up capital, the State PMBs are restricted to only one state, and capitalisation of at least ₦2.5 billion.

Specifically, under the revised guidelines, PMBs would only be allowed to perform duties such as mortgage finance, real estate construction finance acceptance of savings and time\term deposits and acceptance of mortgage-focused demand deposits. It clearly streamlines the activities of a PMB to the provision of mortgage finance and excludes other related activities e.g. the provision of estate management duties, etc. The CBN has also granted the mortgage firms a moratorium ending December 31st 2013 to recapitalize or shore up their shareholders' funds[9].

REVIEW OF KEY HOUSING ISSUES

Housing Supply

Nigeria is the most populous country in Africa, with a population of more than 177.2 million (2011)[10] and a concentration of about 50% in urban areas. The rapid growth of the country's metropolitan population is exerting tremendous pressure on the housing sector. In 2011, it was estimated that 67% of Nigeria's urban population were living in slums/inadequate settlements[11].

The housing deficit has been estimated to be between 16 -17 million units[12]. In Lagos, Ibadan, Kano, and Abuja where the urbanization is accentuated, there is an average rising need for housing by 20% annually. Current total output in the formal housing sector is estimated at no more than 100,000 units, but no good data exists. However, it is clear that the formal sector is only producing a fraction of the total number of urban units needed each year. By 2050, the UN estimates that 75% of the population will be living in cities; this translates into an annual housing requirement over the coming decades of at least 700,000 units just to keep up with growing demand and urban migration.

Growing Urbanisation

Nigeria's rapid pace of urbanization increases the importance of cities as engines of growth. Over the years, Nigeria has experienced rapid urbanization, with over 50% of its population living in urban centres in 2011, compared to an overall average for sub-Saharan Africa of 37%[13]. The high population growth rate further fuels the urbanization process presenting the country with a challenge of unblocking the potential of cities as engines of growth. The housing value chain is an important pillar for growth.

Unlocking the supply response to an expanding housing market in Nigeria will provide for sustainable job growth and address housing demand. It is estimated that up to 700,000 houses in different market segments will be needed annually to keep up with demand. Currently production is below 100,000, resulting in an overall accumulated deficit of about 17 million units, although there is very little data to verify this. Increasing housing supply would underpin employment growth. There are also many social benefits associated with improved housing and home-ownership, not least of which is giving homeowners a true stake in their community. However, the problems facing the housing market are multiple and interrelated. These relate to interest rate environment, lack of long-term finance, a weak legal and regulatory environment and the availability and cost of housing stock.

The lack of long-term housing finance is the major bottleneck for the development of the housing market. The housing finance sector has been subject to extensive diagnostic work[14] over recent years covering a range of different issues. Many of the development constraints have been well identified and the NMRC aims to strategically address some of the main issues. The mortgage market is underdeveloped, with mortgage loans outstanding estimated to be around $1,426 million, which is barely equivalent to 0.6% of GDP. This does not compare well to the BRIC countries where, for example, India, which has a similar level of GDP/head has reached over 9% equivalent of GDP in mortgage debt outstanding. Out of a total of 68 respondents to the CBN's mortgage market survey 2012, 55 reported that access to long term funds was their biggest issue in terms of growing their business further, equivalent to over 80% of respondents. Other obstacles which were also highlighted include difficulties with property registration, titling and the cost and time of foreclosing were listed as second and third respectively.

[9] Source: CBN Circular Ref: FPR/DIR/CIR/GEN/01/021
[10] Source http://www.worldbank.org/en/country/nigeria
[11] Source: Population Reference Bureau, 2011.
[12] Source: World Bank
[13] Source Population Reference Bureau, 2011
[14] See i) Nigeria - Housing Finance Market Assessment, Walley and Boleat, 2007, ii) Nigeria - Housing Finance for the Poor, Walley 2008, iii) The legal framework for Housing Finance in Nigeria, Rabenhorst, 2012 iv) Regulatory framework for Mortgage Liquidity Facility in Nigeria, Bothwell 2012.

Nigeria's financial system has undergone restructuring several times and this has seen considerable improvements to its sector supervision. Following the banking crisis of 2008, the CBN articulated a blue print for reforming the financial system known as "The Project Alpha Initiative" which is built on 4 pillars, of enhancing the quality of banks, establishing financial stability, enabling healthy financial sector evolution and ensuring that financial sector contributes to the real economy[15].

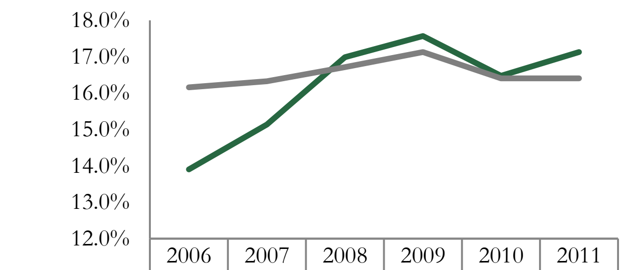
The CBN introduced regulation for the adoption of the IFRS in the Nigerian Banking Sector by end-2010. The CBN reviewed the Universal Banking Model and regulations with a view to directing banks to focus on their core banking business only. Under the new model introduced in 2010, licensed banks are authorized to carry the following types of business: Commercial banking (with regional, national and international authorization); Merchant (investment banking); Specialized banking (microfinance, mortgage, non-interest banking (regional and national)); and Development finance institutions.

In 2012, the CBN reported that there were 101 PMBs specifically established for the purpose of providing mortgages, 870 Microfinance Banks, 21 Deposit Banks, 5 Discount Houses and 5 Development Finance Institutions which include the government-owned FMBN. Under the fresh guidelines issued in 2012, mortgage firms have been categorized into National and State mortgage firms, while the National PMBs are allowed to operate in any or all parts of the federation after the capitalisation of ₦5 billion minimum paid up capital, the State PMBs are restricted to only one state at the capitalisation of ₦2.5 billion.

In 2012, the World Bank launched the Global Financial Inclusion (Global Findex) Database, exploring levels of financial inclusion around the world. According to Findex, while 30% of Nigerians over the age of 15 have an account at a formal financial institution, only 2% of Nigerians over the age of 15 have a loan from a financial institution, and almost none have an outstanding loan to purchase a home; 0.6% overall. Borrowing for home construction is more common, although still miniscule; 1.7% overall, or 1.5% of the top 60% of income earners and 1.9% of the bottom 40% of income earners. Despite the size of the Nigerian economy, mortgage debt to GDP is about 0.5%, and about only 5% of the 13.7 million housing units in Nigeria is currently financed with a mortgage; 65.3% of the adult population has never heard of Mortgages.[16] Most residential mortgage loans in Nigeria are provided by the commercial banks, PMBs and some, usually institutional, employers.

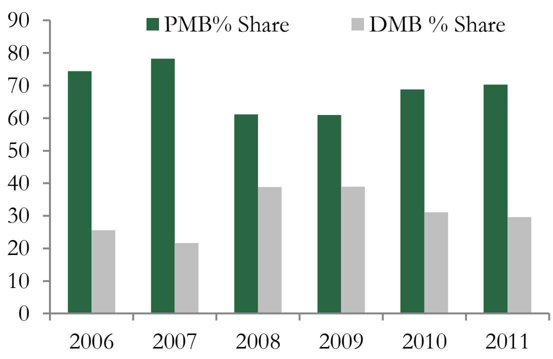
Between 2006 and 2011, the average interest rates charged on outstanding mortgage loans increased from 15.90% to 16.52% in 2011[17]. In June 2012 Mortgage interest rates oscillated within the 18 – 24% band[18], undermining household affordability and access to mortgage finance. However, the average interest rate for new loans oscillated within a range of 17.29 and 18.44%. The mortgage market has been dominated by the PMBs; PMBs share of the market ranged between 61.0% in 2009 and 78.3% in 2007. The PMBs accounted for 70.3% of the mortgage loan outstanding in 2011[23].

Average Interest rate on Outstanding Mortgage Loans



	2006	2007	2008	2009	2010	2011
DMB%	13.9%	15.1%	17.0%	17.6%	16.5%	17.1%
PMB%	16.2%	16.3%	16.7%	17.1%	16.4%	16.4%

Market Share of Outstanding Mortgage Loans



Source: CBN

By June 2011, the total consolidated assets of PMBs had increased by 0.3% to ₦377 billion. Mortgage finance is thus limited; the MBAN estimates that the unmet mortgage finance requirement in the country could be conservatively put at between ₦20 – ₦30 trillion.

[15] Banking reform and its impact on the Nigerian economy: *Sanusi Lamido Sanusi, CON Governor Central Bank of Nigeria*
[16] Source: http://www.sec.gov.ng/files/Portharcourt%20Outreach%202011%20Modupe%20Ladipo,%20CEO%20Efina-8th%20July%202011.pdf
[17] Source: **Mortgage Finance in Nigeria:** Central Bank of Nigeria and World Bank October 2012
[18] Source http://www.cenbank.org/OUT/2012/PUBLICATIONS/BSD/DEPOSIT%20AND%20LENDING%20RATES%20FOR%20THE%20BANKING

Constraints in addressing this challenge include the limited availability of long-term funds and a critical need to enhance the capital and resource base of PMBs and the FMBN; poor product design that fails to meet the affordability constraints of the majority; difficulty in accessing land and secure title; an inadequate legal framework and poor housing market infrastructure; and constraints in the housing construction sector.

Land & Property Registration

Land tenure and property registration has been identified as one of the major obstacles to the development of the Nigerian housing sector. Under the Land Use Act of 1978, there is no private ownership of land in Nigeria. The maximum interest a person may hold in land is the right of use and occupancy. This statutory right of occupancy of urban land is given to any person by the issuance of a governor's consent and a written certificate of occupancy (C of O). The process has proven to be time consuming, and very costly. The process of registration expected to take about 82 days takes between 6 months to 2 years, and costs 20.8% of the value of the property. This is very high compared to peer countries in the Sub-Saharan Africa. In the World Bank Doing Business 2012, Nigeria ranked 182 (out of 185) in terms of registering property because of its lengthy and costly process.

Time and cost to register property – June 2012: (Nigeria & Selected African Countries)[19]

	Nigeria	South Africa	Ghana	Sub-Saharan Africa
Number of steps	13	6	5	6
Time (days)	86	23	34	65
Cost (per cent of value)	20.8%	5.9%	1.2%	9.4%
Ranking (out of 185)	182	79	45	N/A

Some efforts are being made to tackle these issues in certain states. Lagos State and Abuja have started the upgrading and computerization of its title registration system. Lagos State has also adopted some reforms to the Land Use Act, implemented a much shorter process for land registration, and also instituted a fast track court procedures designed to shorten claims involving a mortgage transaction. The cost and length of registration varies from state to state, but it remains high for the major states.

The entire title registration process is so cumbersome that homeowners do not show any interest in registering their property. As a result, the records are inaccurate and incomplete. Other characteristics of the land tenure and property registration process in Nigeria include the weak collateral system, and the unreliable system of mortgage enforcement. The impact of this dysfunctional system includes the large proliferation of informal settlements, slums and the growing trend of land squatting in urban areas.

Affordability

Like many African countries, the lack of affordable housing is a problem in Nigeria. The NHF loan offering has LTVs that are graduated, between 70% and 90% and the larger the loan, the bigger the down payment required. Recently, the maximum loan available was increased from ₦5 million to ₦15 million[20], after the previous amount was recognised to be too little to purchase or build a starter house. There is no minimum limit, however, which does allow the possibility of borrowing for incremental housing.

NHF loans are subsidised at a rate of 6% for up to 30 years. Taking a loan of ₦5 million (US$33,000) from the NHF at the subsidized 6% interest rate, ₦30,000 to ₦40,000 (US$200 – US$264) needed a month to service the loan. Although the minimum wage was revised to ₦18,000 (US$116.24) in 2011, up from N7,500, where it was set in 2000, 80% of the population still earn less than US$60 a month. This notwithstanding, Nigeria's 2020 development strategy suggests an average house cost of US$50,000.

There are a number of causes for the relatively high costs of housing in Nigeria. Over 60% of raw materials are imported; this leads to high building costs, which fluctuate in price with the exchange rate volatility. The cost of cement is illustrative. In 2011, cement prices had almost doubled to ₦2,800 (US$17.76) for a 50kg bag of cement. Government intervened with a regulatory policy directed at local manufacturers in the industry to increase their production capacity so that the price would reduce to ₦2,000. Another contributor is the lack of basic infrastructure, which adds as much as 30% to the total costs of the development. The price of land in Nigeria also adds to the high cost of housing which makes it not affordable to the general populace. Another factor is inflation, which contributes towards the high cost of borrowing in the country as the owner of capital has to be compensated over and above inflation rate as an incentive and this has additionally often discouraged banks from lending.

[19] http://www.doingbusiness.org/data/exploretopics/registering-property
[20] Source: http://www.fmbn.gov.ng

Housing affordability has historically been a challenge also in the rental market, where existing tenants were often required to pay a year or more advance rental payments, while new tenants are required to pay deposits upwards of 2 years. This kept many people out of the formal rental market. In August 2011, the Tenancy Bill of Lagos Statewas signed into law, making it illegal for a landlord to require deposits of more than 6 months rental payments from existing tenants, and limiting deposits for new tenants to 1 year's payments in advance. The new law also includes provisions on the notice period required for eviction, and imposes a fine of ₦250,000 for forceful eviction. However, there are reports that it has been ineffective, as some landlords continue to request up-front rental payments of up to 2 years[21].

Property Market

Nigeria has a high-income housing market with demand for good quality housing outstripping supply in many urban centres. However, as very little land is under formal title, and the predominance of less than mortgageable quality housing, means that overall the formal housing market is small and serves the minority. According to the Land Use Act, which many have argued requires amendment, the allocation of title to land is vested in the governor of each state. The governor has the "rights and privileges" to allocate land through a leasehold system. Where titles do exist, geospatial data and the formal registry system is inadequate, and bottlenecks arise in the property transfer system as a result of a series of legislative constraints and a multiplicity of laws establishing ownership of landed properties. The registration process is cumbersome, with 13 procedures, and lengthy. It is also seen as expensive as it costs an estimated 20.8% of the property value to register property, more than double the average for Sub- Saharan Africa. Speaking at a stakeholders meeting at the CBN, the President of the MBAN recommended a number of interventions to improve Nigeria's property market: (i) expedited review of mortgage related laws; (ii) reduced cost and process for registering property; and (iii) the computerisation of land registry offices.

Construction

The housing sector suffers from high construction costs, which limit the development of affordable housing. Construction costs are high because the construction sector in Nigeria suffers from a range of serious constraints. The construction supply chain is dysfunctional; locally produced building materials such as cement are up to three times the world market price, while other inputs such as doors, windows etc. are not available in large quantities and need to be imported. In addition, the cost of missing public infrastructure is often priced into residential housing. The lack of public infrastructure, public roads, water, sewerage and power force many developers to fund investments which in most countries would be provided by the public sector over a longer period of time. Skilled labor is in low supply, resulting in a situation where the construction companies have to train their own staff. All these cost factors make housing construction in Nigeria highly expensive and limit affordability. It is estimated that the production of a 3 bedroom house in Nigeria costs US$50,000 compared to US$36,000 in South Africa and US$26,000 in India[22].

Foreclosure

A legal framework for foreclosure exists; however, its implementation is not sufficiently clear and encourages informal practice. In order to keep credit risk as low as possible, lenders must be certain they have the means to seize and sell property used to secure the loan if the borrower defaults. According to the Doing Business in 2012 Report, there are 40 procedures taking an average of 457days and account for 32% of the claims to be received in enforcing contracts in Nigeria. The absence of a foreclosure law has been cited by some investors and local banks as the reason for not investing in the housing sector. Though the incidence of foreclosure in most countries (especially with regard to low- and middle-income families) is generally quite low, it is important for investors to know that they can take possession of their collateral and recover their loans as quickly as possible. Evidence from other countries has shown that implementing "non-judicial foreclosure" used solely for mortgage contracts is a necessity for the establishment of a secondary market.

There is currently pending before the National Assembly, the Foreclosure Laws Bill (Residential Mortgages Act & Residential Mortgages (Incentives) Act), which urgently needs to be passed.

Lagos State has adopted fast track court procedures for mortgage cases under a specialized commercial division of the High Court and also passed Housing Arbitration Rules. The fast track procedures have reduced the time to resolve a mortgage enforcement case to about 8 months. Similar procedures could be adopted in other states to make mortgage enforcement more efficient. It is anticipated that the NMRC will explore innovative and effective solutions to successfully implement "non-judicial foreclosure".

[21] Source: **http://www.housingfinanceafrica.org/country/nigeria/**
[22] http://www.housingfinanceafrica.org/country/nigeria/

Policy and Regulation

The Vision 2020 national strategic plan provides that mortgages will play a key role in growing the economy. However, uncoordinated policies of various tiers of governments on land management and administration, which includes the high cost and long process of obtaining titles, are greatly hampering housing delivery. Protracted transaction processes, which include consents from the state governors, as well as onerous fees, all contribute to the unattractiveness of mortgage financing. The enormous powers of governors over state land allocation also means that title is prone to political uncertainty and interference. Establishing title to land can be a fraught process. Even in urban areas where title deeds are more common, there can be difficulties in clarifying who actually holds title to the land. This title uncertainty often means endless challenges in court, taking a number of years. Another hindrance is that 65% to 70%[31] of land is still held under customary title, again limiting its utility for mortgage finance. There is also a dire need for better land use management at local authority level to create better quality housing stock; fatal accidents caused by poorly constructed buildings are common.

There have been some regulatory and policy changes. In 2000, the government implemented a number of reforms to spur on the housing sector. These included establishing a Real Estate Developers Association of Nigeria and a Ministry of Lands, Housing and Urban Development, as well as restructuring the housing finance system through the FMBN to introduce, among others, a secondary market. Computerised land registries have also been introduced in Lagos and Abuja. The Lagos State Government has established an electronic documents management solution to fast-track title and mortgage documentation.

To serve as a vital ingredient to the realisation of Vision 2020 and the transformation agenda, the Presidential Technical Committee on Land Reforms ("PTCLR/Committee") was reconstituted in November 2011 by President Goodluck Ebele Jonathan, GCFR. The PTCLR was charged with the task of charting a roadmap for improving existing institutional and legal framework of land tenure with a view to developing a land market economy for the country. The terms of reference of the Committee though not exhaustive forms a framework from which a comprehensive land policy and management can be formulated for the nation. The Committee has since called for memoranda from all stakeholders to assist it in its arduous task. As part of the Committee's mandate to sensitize and create awareness, the Committee held its first stakeholders engagement forum at Abuja on 31st July 2012.

In August 2010, the governor of Lagos State signed into law a bill establishing the Lagos State Mortgage Board, which, among its various functions, is mandated to "generate a conducive environment to enable access to mortgage as well as protect Lagosians and the State Government from the evil practices that will not enhance good living conditions for the people". There have been some regulatory changes covering the housing finance market. Proposals are on the table to no longer make PMBs the sole originators of mortgages for the NHF – universal banks, pension funds, insurance companies and microfinance banks will in the future also have this ability. Foreclosure, which has always been difficult in Nigeria because of legal restrictions, has been eased through direct power of sale of pledged properties to "prevent ill-founded court injunctions". In Lagos State, a legal framework is in place to protect the rights of the mortgagee and mortgagor; part of the legal framework, includes Lagos Mortgage and Property Law 2010; Tenancy Law 2011; Housing Arbitration Rules 2011 and creation of mortgage departments in the state High Courts, whose sole purpose is to hear mortgage foreclosure matters for expeditious disposal of such cases.

Funding Mismatch

Out of a total of 68 respondents to the CBN's mortgage market survey, 55 reported that access to long term funds was their major issue in terms of growing their business further. The inability to raise long-term funds is a significant constraint on the development of the mortgage market. This is based on the argument that mortgage loans are long term and therefore need to be financed by long-term investments. In fact many countries, notably Britain, have largely funded mortgage loans through short-term deposits, the adjustable rate mortgage being used to mitigate the effects of the maturity mismatch. While long term funding would be desirable, in the short term the availability of funds is not a constraint on the development of mortgage lending in Nigeria.

Securing Longer Term Funding

It is advantageous that longer term funds are available to finance mortgage loans. This financing structure is able to diversify the sources of funding, facilitating the matching of assets and liabilities and enable borrowers to have a choice between fixed rate and adjustable rate loans. The DMBs & PMBs themselves can raise long-term funds through bond issues or simply by seeking long-term deposits.

However, there has to be a supply of funds as well as a demand. At least in the short term, the institutions best placed to supply longer terms funds are the PFAs, both because they hold significant funds and because they have long term and predictable liabilities. However, under their current regulations PFAs are not permitted to make or hold mortgage loans but can hold mortgage-backed securities, corporate bonds and other tradable instruments up to a total of 30%

of their assets[23]. The rationale for including mortgage backed securities but not mortgages, is that PFAs should hold instruments that are tradable.

FUTURE OUTLOOK

An effective housing finance system will develop automatically if the necessary building blocks are in place. There are a number of key building blocks. Some include:

- Modernisation of property rights and laws;
- Efficient land registration arrangements;
- Mitigating foreclosure and default risk;
- Strengthening the domestic financial markets; and
- Integrating the informal financial sector into the formal sector and revolutionizing access to finance.

Mortgage finance is seen as one of the drivers whose immediate development would enable the financial sector to catalyse growth in other parts of the economy. The key recommendations for mortgage finance are[24]:

- Establish a safe and profitable mortgage market by setting up appropriate infrastructure/institutions and remodeling existing ones;
- Introduce a new framework to strengthen property and security rights;
- Provide affordable and long-term mortgages to all classes of Nigerians; and
- Enhance the use of the market mechanism to improve the housing delivery system.

[23] National Pension Commission Regulation: On Investment of Pension Fund Assets - Dec 2012
[24] Source: Nigeria Financial System Strategy 2020 Housing Finance Report, Mark Boléat And Simon Walley

1. **Corporate Information**

NMRC currently has its corporate head-office located at Wing A, 5th Floor, Pent House, Clans Place, Plot 1386A, Tigris Crescent, Maitama, Abuja, Nigeria. The Company will also have another operational office located in Lagos, Nigeria.

2. **Incorporation and Share Capital History**

The Company was duly incorporated on 24th of June 2013 as Nigeria Mortgage Refinance Company Plc. with RC No 1123944. At incorporation, the Company's authorised share capital was ₦1,000,000.00 (One Million Naira only) divided into 1,000,000 (One Million) ordinary shares of ₦1.00 each.

The Company's initial authorised share capital was increased on the 17th of April, 2014, from ₦1,000,000.00 (One Million Naira Only) to ₦8,500,000,000 (Eight Billion Five Hundred Million Naira Only), by the creation of an additional 8,499,000,000 (Eight Billion Four Hundred and Ninety-nine Million) ordinary shares of ₦1.00 each.

3. **Shareholding Structure**

NMRC currently has 22 investors with a total value for shares of ₦7.05 billion. The Ministry of Finance Incorporated (MoFI) and the Nigerian Sovereign Investment Authority (NSiA) own about 17.02% and 22.7% respectively, while 4 Commercial Banks (CBs) and 16 Primary Mortgage Banks (PMBs) represent the major shareholders owning about 49.65% of the total shares of NMRC.

4. **Extracts from the Memorandum and Articles of Association**

Extracts from the Memorandum of Association

(a) To advance monies to financial institutions for the refinancing and/or purchase of mortgages upon such terms and conditions as the Company may deem fit and to take such security over the refinancing provided by the Company, with or without recourse to the mortgagee and/or the mortgagor and/or take security in such other manner as the Company may deem fit as to secure repayment of monies advanced;

(b) To purchase mortgages, transfer or sell mortgages or enter into such financial arrangement with respect to such mortgages as it may deem necessary or it may require to secure the repayment of monies advanced or to finance the purchase or sale of further mortgages as the Company may desire;

(c) To borrow or raise money in such manner as the Company shall think fit, and in particular by the issue of bonds, debentures or debenture stock (perpetual or otherwise) and any other form of debt securities whether or not backed by rights in and relating to mortgages and to secure the repayment of any money borrowed, raised or owing, by mortgage, charge, or lien upon the whole or any part of the Company's property or assets (whether present or future) including its uncalled capital and guarantee the performance by the Company of any obligations or liability it may undertake;

(d) To guarantee the payment of any debentures, debenture stock, bonds, mortgages, charges, obligations, interest, individuals, securities, money or shares or the performance of contracts or engagements of any other company or person, and to give indemnities and guarantees of all kinds.

(e) To enter into arrangement with any government or governmental agency or authority for the furtherance of the objects of the Company and to obtain from any such government or governmental authority such rights, privileges, concession or aid as may be necessarily required by the Company to carry out such aforementioned arrangement.

5. **Extracts from the Articles of Association**

Classes of Shares

(a) The Company may from time to time issue classes of shares. It shall be the responsibility of the directors to determine the classes of shares to be issued. All the rights or restrictions attached to each particular class of shares shall be specified in the terms of issue but such rights may at any time be varied in accordance with the provisions of section 141 of the Act.

Meetings

a) The annual general meeting shall be held at such time and place as the directors shall appoint.

b) The chairman, if any, of the board of directors shall preside as chairman at every general meeting of the company, or if there is no such chairman, or if he is not present within thirty minutes after the time appointed for the holding of the meeting or is unwilling to act, the directors present shall elect one of their number to be chairman of the meeting.

c) If at any meeting no director is willing to act as chairman or if no director is present within thirty minutes after the time appointed for holding the meeting, the members present shall choose one of their number to be chairman of the meeting.

Voting

No member shall be entitled to vote at any general meeting unless all calls or other sums payable by him in respect of shares in the company have been paid.

The Seal

The directors shall provide for the safe custody of the seal, which shall only be used by the authority of the directors or of a committee of the directors authorised by the directors in that behalf and every instrument to which the seal is affixed shall be signed by a director, and countersigned by the secretary or by a second director or by some other person appointed by the directors for the purpose.

Notices

A notice may be given by the company to any member either personally or by sending it by post to him or to his registered address, or(if he has no registered address within Nigeria) to the address, if any, within Nigeria supplied by him to the company for the giving of notice to him. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected at the expiration of seven days after the letter containing the same is posted.

6. **Claims and Litigation**

As at the date of this Prospectus, no litigation, arbitration or administrative proceedings is pending, has been commenced or is to the best of NMRC's knowledge threatened against the Company.

7. **Material Contracts**

The following agreements have/will be entered into and are considered material to this Programme:

i. Master Purchase, Refinancing and Servicing Agreement (MPRSA)

ii. Security Deed

iii. Programme Trust Deed

iv. Series 1 Trust Deed

v. Security Trust Deed

vi. Account Bank and Paying Agent Agreement

vii. Vending Agreement

viii. Deed of Guarantee

ix. Recourse Agreement

x. Subordinated Loan Agreement dated January 2014 between NMRC and CBN.

8. Material Transactions

i. A non-interest start-up loan in the sum of ₦350,000,000.00 (Three Hundred and Fifty Million Naira) from the Accountant General's Office of the Federation was approved by the Presidency as a bridge finance facility as at 23rd January, 2014 for the setting-up of the NMRC;

ii. Disbursement of 1st Tranche of Naira Equivalent of $USD20 Million Tier 2 Capital by the CBN under the terms of the Subordinated Loan Agreement as at January 2014.

9. Relationship between the Issuer and its Advisers

As at the date of this Prospectus, Mr Sonnie Ayere, a Non-Executive Director of the Issuing House is a Non-Executive Board Member of NMRC, save for the afore mentioned, there is no relationship between NMRC and any of its advisers except in the ordinary course of business.

10. Declarations

Except as otherwise disclosed in the Prospectus:

a) No share of the Company is under option or agreed conditionally or unconditionally to be put under option;

b) No commission, discount, brokerages or other special terms have been granted by the Company to any person in connection with the Bond Issue;

c) There are no founders, management or deferred shares or any option outstanding in the Company.

d) There are no material service agreements between the Company and any of its directors and employees other than in the ordinary course of business;

e) There are no long-term service agreement between the Company and any of its Directors and employees;

f) No Director of the Company has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Company in two years prior to the date of this Prospectus:

g) No existing and potential related-party transactions and conflict of interest in relation to the Company and its related-parties.

   i) None of the Company's Directors or key management staff is subject to any of the following (whether in or outside the Federal Republic of Nigeria):

   ii) A petition brought under any bankruptcy or insolvency laws filed (and not struck out), either against his person or against any partnership or company of which he is a partner, director or key personnel;

   iii) A conviction in a criminal proceeding or is a named subject of pending criminal proceedings relating to fraud or dishonesty; and

   iv) The subject of any order, judgment or ruling of any court of competent jurisdiction or a regulatory body relating to fraud or dishonesty restraining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

11. Mergers and Takeovers

As at the date of this Prospectus, the Directors were not aware of:

(a) a merger or takeover offer by third parties in respect of the Company's securities; and

(b) a merger or take-over offer by the Company in respect of another company's securities, during the current financial year

12. Consents

The following have given and not withdrawn their written consents to the issue of this Prospectus with their names and reports (where applicable) included in the form and context in which they appear:

Directors of NMRC:	Prof. Charles Inyangete
	Mr. Sonnie Ayere
	Dr. Femi Johnson
	Mr. Hassan Usman
	Mr. Herbert Wigwe
	Mr. Razack Adeyemi Adeola
	Mr. Uche Orji
Company Secretary:	Detail Nominees
Issuing House:	Dunn Loren Merrifield Advisory Partners Limited
Note Trustee:	Stanbic IBTC Trustees Limited
	Skye Trustees Limited
Security Trustee:	FBN Trustees Limited
Solicitors to the Offer:	Olaniwun Ajayi LP
Solicitors to the Issuer	Detail Commercial Solicitors
Solicitors to the Note Trustee:	G. Elias and Co.
Solicitor to the Security Trustee:	Perchstone and Graeys
Auditors to the Company:	KPMG Professional Services
Rating Agency:	Global Credit Rating Co.
Registrars:	Meristem Registrars Limited
Account Bank & Paying Agent	Standard Chartered Bank Limited
Receiving Banks:	Access Bank Plc.
	Sterling Bank Plc

13. Fiscal Exemptions, Privileges and Concessions

NMRC obtained the following waivers obtained from the CBN as at September 5, 2013:

(i) Exemption from application of general loan loss provision of 1%

(ii) Classification of the NMRC Bonds as liquid assets for the purpose of computation of the Liquidity Ratios of financial institutions

(iii) NMRC Bonds will be considered eligible instruments for transaction at the CBN Discount Window

(iv) Grant of a zero risk weighting to NMRC Bonds for the period the bonds are guaranteed by the FGN

(v) Stamp Duty Concessions and SEC Registration Fee Concessions are currently being processed by the FMoF.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Dunn Loren Merrifield, 10th Floor, Elephant House, 214 Broad Street, Marina, Lagos between the hours of 8.00am and 5.00pm Nigerian time:

(i) Business Plan for the Company;
(ii) The Certificate of Incorporation of the Company, duly certified by the Company Secretary;
(iii) The Memorandum and Articles of Association of the Company, duly certified by the CAC;
(iv) Opinion on Claims and Litigation issued by Detail Commercial Solicitors in connection with the Bond Issue;
(v) The Certificates of Registration of Increase in Share Capital;
(vi) The Bond Prospectus;
(vii) The Audited Statement of Affairs of the Company for the 6 months ended 31 December 2014;
(viii) The Report from KPMG Professional Services, the Auditors, on the audited financial statements of the Company;
(ix) The material contracts referred to on page 104;
(x) The written consents referred to on page 106;
(xi) The letter of approval from the Securities & Exchange Commission with respect to this Bond Issue;
(xii) CBN Final License Letter dated February 18, 2015;
(xiii) Board Resolution appointing Dunn Loren Merrifield as Financial Adviser/ Issuing House for the Proposed Bond Issuance; and
(xiv) Subordinated Loan Agreement dated January 2014 between NMRC and the CBN.

Set out below is the form of the Pricing Supplement which will be completed by the Issuer for each Series of Bonds issued under the Programme:

Pricing Supplement (Supplementary Shelf Prospectus)
To the Base Shelf Prospectus dated [■]

[NIGERIA MORTGAGE REFINANCE COMPANY PLC]

Issue of [●] [Title of Bonds]

Under the ₦140,000,000,000 Medium Term Note Programme

Issue Price: [●] per unit
Payable in full on Application

Application list Opens: [●]
Application list Closes: [●]

This Pricing Supplement (Supplementary Shelf Prospectus) is prepared for the purpose of Rule 279(3)(5)(i) of the Rules and Regulation of the Securities & Exchange Commission ("the Commission" or "SEC") in connection with the ₦140,000,000,000 Medium Term Note Programme (the "Securities" or "Bonds") established by Nigeria Mortgage Refinance Company Plc ("the Issuer"). This Pricing Supplement (Supplementary Shelf Prospectus) is Supplementary to, and should be read in conjunction with, the Base Shelf Prospectus dated [●] ("Shelf Prospectus") and any other supplement to the Shelf Prospectus to be issued by the Issuer. Terms defined in the Shelf Prospectus have the same meaning when used in this Pricing Supplement (Supplementary Shelf Prospectus).

To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement (Supplementary Shelf Prospectus) and the Shelf Prospectus, the provisions of this Pricing Supplement (Supplementary Shelf Prospectus) shall be deemed to amend the Shelf Prospectus. This Pricing Supplement (Supplementary Shelf Prospectus) may be used to offer and sell the Bonds only if accompanied by the Shelf Prospectus. Copies of the Shelf Prospectus can be obtained from the Issuing House.

The registration of the Shelf Prospectus and this Pricing Supplement (Supplementary Shelf Prospectus) shall not be taken to indicate that the Commission endorses or recommends the Securities or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the Shelf Prospectus or this Pricing Supplement (Supplementary Shelf Prospectus). No Securities will be allotted or issued on the basis of the Shelf Prospectus read together with this Pricing Supplement (Supplementary Shelf Prospectus) later than three (3) years after the date of the issue of the Shelf Prospectus.

This Pricing Supplement (Supplementary Shelf Prospectus) contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the Securities being issued hereunder. Application will not be made to the Council of the Nigerian Stock Exchange for the admission of the Bonds to the Daily Official List of the Exchange.

Without prejudice to the provision of section 85 (1) (Civil Liability for Mis-statements in Prospectus) of the Investments & Securities Act No. 29 2007, the Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement (Supplementary Shelf Prospectus). The Issuer declares that having taken reasonable care to ensure that such is the case, the information contained in this Pricing Supplement (Supplementary Shelf Prospectus) is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information and that save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Shelf Prospectus has arisen or has been noted, as the case may be, since the publication of the Shelf Prospectus. Further, the material facts contained herein are true and accurate in all material respects and the Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

FINAL TERMS OF SERIES [ ] BONDS

1.	Issuer:		[Nigeria Mortgage Refinance Company Plc]
2.	Series Number:		[●]
3.	Guarantor:		[●]
4.	Aggregate Principal Amount of Series:		[●]
5.	(i)	Issue Price:	[●]
	(ii)	Net Proceeds:	[●]
6.	Denomination(s):		[●]
7.	(i)	Issue Date:	[●]

	(ii)	Interest Commencement Date (if different from Issue Date):	[●]
8.	Maturity Date:		[●]
9.	Interest Basis:		[● % Fixed Rate]
			[● % Floating Rate]
10.	Redemption/Payment Basis:		[●]
11.	Status:		[●]
12.	Security:		[Applicable/Not Applicable]
13.	Listing(s):		[●]
14.	Method of Distribution:		[●]
15.	Offer Period:		[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Bond Provisions		
	(i)	Interest Rate(s):	[● %]
	(ii)	Interest Payment Date(s):	[●]
	(iii)	Interest Amount(s):	[●]
	(iv)	Day Count Fraction:	[●]
	(v)	Business Day Convention:	[Following Business Day Convention/ Preceding Business Day Convention/ Modified Business Day]
	(vi)	Business Day:	[●]
	(vii)	Other terms relating to method of calculating interest for Fixed Rate Bonds:	[Not Applicable/Give Details]
17.	Floating Rate Bond Provisions		[Applicable/Not Applicable] *(if not delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Rate:	[●]
	(ii)	Benchmark:	[●]
	(iii)	Spread to Benchmark:	[●]
	(iv)	Minimum Rate of Interest:	[●%]
	(v)	Maximum Rate of Interest:	[● %]
	(vi)	Interest Payment Date(s):	[●]
	(vii)	First Interest Payment Date:	[●]
	(viii)	Party responsible for calculating interest rate and interest amount(s):	[●]
	(ix)	Interest Reset Date:	[●]

(x)	Interest Determination Date(s):	[●]
(xi)	Interest Periods:	[●]
(xii)	Day Count Fraction:	[●]
(xiii)	Business Day Convention:	[●]
(xiv)	Business Day:	[●]

PROVISIONS RELATING TO REDEMPTION

18.	Optional Early Redemption (Call Option):	[Applicable/Not Applicable]
19.	Optional Early Redemption (Put Option):	[Applicable/Not Applicable]
20.	Scheduled Redemption/Amortisation:	[Applicable/Not Applicable]
21.	Redemption Amount(s):	[●]
22.	Scheduled Redemption Dates:	[●]
23.	Final Redemption Amount:	[●]

GENERAL PROVISIONS APPLICABLE TO THE BONDS

24.	Form of Bonds:	Dematerialised Bonds
	(i) Form of Dematerialised Bonds:	[Registered/Certificate/Dematerialised]
	(ii) Registrar:	[●]
25.	Trustee(s):	[●]
26.	Record Date:	[●]
27.	Other terms or special conditions:	[●]

DISTRIBUTION, CLEARING AND SETTLEMENT PROVISIONS

28.	Book-building:	[●]
29.	Underwriting:	[●]
30.	Clearing System:	Central Securities Clearing System Limited

GENERAL

31.	Rating:	[●]
32.	Taxation:	[●]
33.	Governing Law:	Nigeria

APPENDICES

34.	Appendices:	[List and Attach Appendices if applicable]

USE OF PROCEEDS

[specify use of proceeds]

MATERIAL ADVERSE CHANGE STATEMENT

Except as disclosed in this document and in the Shelf Prospectus dated [●] 2015 and the supplementary shelf prospectus [dated], there has been no significant change in the financial or trading position of the Issuer since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer since [insert date of last published annual accounts].

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement (Supplementary Shelf Prospectus) which, when read together with the Shelf Prospectus referred to above, contains all information that is material in the context of the issue of the Bonds.

Signed on behalf of the Issuer:

____
Company Secretary/Director

____
Chief Financial Officer

____
Managing Director/CEO

NMRC will issue bonds from time to time under the Programme and utilise the proceeds to refinance eligible Mortgage Loans that conform with its Uniform Underwriting Standards as more particularly specified in the applicable Pricing Supplement.

The following text regarding the clearing system has been obtained from sources that the Issuing House believes are reliable, the information, however, is subject to any changes to such procedures that may be instituted by the Clearing System from time to time.

The Clearing System

Central Securities Clearing System Limited (the "CSCS"), the Clearing House of the Nigerian Stock and Bond Markets, was incorporated in July 1992 as a subsidiary of the Nigerian Stock Exchange (the "NSE"). It was commissioned in April 1997 and commenced operations in the same year, acting as a clearing and settlement platform for stock (and later, bond) market transactions. The CSCS also acts as an integrated central securities depository for all share certificates of quoted securities including new issues on the NSE and a sub-registry for all quoted securities in conjunction with registrars of quoted companies. The CSCS provides safe keeping and custodial services for participants in the Nigerian capital market as well as digital data storage and retrieval centre.

CSCS participants include banks (including the CBN), securities brokers and dealers and other professional financial intermediaries. The CSCS is regulated by the Securities and Exchange Commission (the "SEC"). The CSCS facilitates the clearing and settlement of transactions among its participants through electronic book-entry changes in the accounts of the participants thereby, eliminating the need for physical transfer of certificates, consequently, substantially reducing the period it takes a transaction to commence and end.

Transfer of interests in the Bonds between investors will be effected between CSCS participants in accordance with the rules and operating procedures of the CSCS. The Issuer will have no responsibility for the proper performance by the CSCS or the CSCS participants of their obligations under their respective rules and operating procedures.

Secondary Market Transactions and Settlement

Secondary market transactions will be done on a T+2 basis, with three parties (buyer, seller and CSCS) involved in the settlement of every trade. The steps involved in the settlement process are outlined below.

The Settlement Process:

Transaction Day ("Day T"): Two different trading houses close a deal and exchange reference details. The reference detail is a unique identifier used for each particular trade for easy reference, and is alpha numeric. It starts with the reference of the selling party, followed by that of the buying party and the month/year of trade and the deal number, e.g. TOO/NN/0908/00023.

Day T + 1: All the deals consummated by a particular house are noted on a schedule/settlement blotter which is forwarded to CSCS before 10a.m. on Day Two.

Day T + 2: CSCS reviews the blotters received from different houses and matches the trades. For all matched trades, CSCS crosses the bonds from seller to buyer. In cases where trades are not matched off, CSCS will notify both counter-parties and ask them to rectify the fault.

CSCS crosses the bonds and sends a schedule showing the details of the deals to the Bond Registrar. The cash consideration could be transferred directly by the counterparties using the T24 system, RTGS or direct debit to the customer's account where the customer has an account with the selling institution or any other payment system as may be agreed by the two parties.

The following, which applies only to persons who are the beneficial owners of the Bonds, is a summary of the Issuer's understanding of current law and practice in Nigeria as at the date of this Shelf Prospectus relating to certain aspects of the taxation of the Bonds in Nigeria. Prospective Bondholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than Nigeria should seek their own professional advice.

Federal Government Waiver of Taxes on all Categories of Bonds

The range of taxes covered by the approval, are those prescribed under the Value Added Tax Act, the Capital Gains Tax Act, and the Companies Income Tax Act. These tax exemptions are for an initial period of ten years. With these approvals, all bonds issued by corporates and bonds relating to asset-backed securities will now be tax exempt. Thus both the 10% capital gains tax on sales and the 10% withholding tax on interest payments on corporate bonds are no longer applicable.

The approval also includes a reduction in stamp duties for re-issues of previously executed debentures to 20% of the Stamp Duty payable on a new debenture of the same value compared to 100% prior thereto.

Corporation Tax

In general, Nigerian companies must pay corporation tax on their income at the rate of 30% in relation to profits. Hence, NMRC will pay 30% on its profit annually.

Value Added Tax

There is no value-added tax payable in respect of payments in consideration for the issue of the Bonds or in respect of payments of interest or principal under the Bonds or the transfer of the Notes/Bonds, provided that value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Nigerian value added tax purposes such services are rendered, or are deemed to be rendered, in Nigeria an exemption from value added tax does not apply with respect to such services.

Capital Gains Tax

In general, any subsequent disposal of the Bonds by a Bondholder who is resident in Nigeria prior to their redemption may be subject to Capital Gains Tax, where applicable. However, pursuant to the above exemption (Federal Government Waiver of Taxes on Corporate Bonds, ABS/MBS), Capital Gains Tax will not be payable on the disposal of the Bonds.

Withholding Tax

In general, withholding tax at the rate of 10% must be deducted from interest payments on the Bonds, this is however exempt pursuant to the above FGN waiver (Federal Government Waiver of Taxes on Corporate Bonds, ABS/MBS).

Exchange Controls

Under the provisions of the FEMM Act, any person may invest in any enterprise or security, with foreign currency or capital imported into Nigeria through an Authorised Dealer (i.e. a bank licensed by the Central Bank of Nigeria to deal in foreign currencies) either by telegraphic transfer, cheques or other negotiable instruments and converted into Naira in the market in accordance with the provisions of section 15(10) of the FEMM Act. The Authorised Dealer is required by statute to issue a Certificate of Capital Importation ("CCI"), evidencing receipt of the imported capital within 24 hours of receipt of imported funds.

Any capital imported into Nigeria, including capital imported for the acquisition of the Bonds should be evidenced by a CCI issued by an Authorised Dealer through which the capital was imported. The CCI guarantees the unconditional transferability and remittance abroad of coupon payments and/or proceeds of sale of the Bonds abroad through Authorised Dealers.

Any foreign investor wishing to invest in the Bonds in Nigeria would be required to arrange for its own individual CCI from an Authorised Dealer under the provisions of the law as stated above. Such investors should refer to their stockbroker, custodian or legal advisor.

Unless the context otherwise requires, the following expressions shall have the meanings respectively assigned to them:

"**Auditor**"	KPMG Professional Services;
"**Account Bank**"	means, Standard Chartered Bank or any other person or entity appointed as account bank or in replacement of any existing account bank pursuant to the provisions of the Account Bank and Paying Agent Agreement;
"**Board of Directors**"	means the Directors of Nigeria Mortgage Refinance Company Plc;
"**Bonds**" or "**Securities**" **also referred to as "Notes"**	means the securities of any Series issued by the Company pursuant to the Programme constituted by the Trust Deed and upon the terms and conditions stipulated in this Shelf Prospectus and the applicable Final Terms;
"**Bondholder or Noteholder**"	means any person for the time being entered in the Register or the Central Securities Clearing System (CSCS) as a holder of a unit or units of the Bonds and includes persons so registered as joint holders;
"**Book Runners**"	means Dunn Loren Merrifield Advisory Partners
"**Business Day**"	means a day (other than a Saturday, Sunday or Federal Government of Nigeria declared public holiday) on which commercial banks are open for general business in Abuja and Lagos;
"**Business Day Convention**",	means in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "Modified Following Business Day Convention" or "Modified Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "Preceding Business Day Convention" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "Floating Rate Convention" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred, provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred;

"**CAGR**"	means compounded annual growth rate;
"CBN"	means the Central Bank of Nigeria
"Collection Account"	means the account established and maintained by NMRC in the Mortgage Lending Bank into which the proceeds under the Mortgage Loan Rights will be remitted by the Mortgage Lending Banks
"**Conditions**"	means in relation to the Bonds of any Series, the terms and conditions to be endorsed on, or incorporated by reference in, the Bond Certificate in respect of such Series or in such other form, having regard to the terms of the relevant Series, as may be agreed between the Company, the Trustees and the Issuing House(s) as modified and supplemented by the Final Terms applicable to such Series, as any of the same may from time to time be modified in accordance with the provisions of the Trust Deed;
"**Certificates**"	means in relation to the Bonds, a certificate in or substantially in the form specified in the Schedule to the Trust Deed or in such other form as may be agreed from time to time by the Trustees;
"**Closing Date**"	means the closing date specified in the Final Terms relating to the Securities being issued;
"**CSCS**"	means the Central Securities Clearing System Limited;
"**Day Count Fraction**"	means in respect of the calculation of an amount for any period of time (the "Calculation Period") such day count fraction as may be specified in the Conditions or the applicable Final Terms, and, if "Actual/365" is specified, the actual number of days in the Calculation Period divided by 365;
"**Deed**" or "**Trust Deed**"	means this trust deed (and the schedules hereto) and any trust deed supplemental thereto and the schedules (if any) thereto and the Bond Certificates, the Conditions, all as from time to time modified in accordance with the provisions herein or therein contained;
"**Denominations**"	means ₦50,000,000 and integral multiples of ₦10,000,000 or such other denominations as may be specified or determined in the applicable Final Terms;
"Eligible Mortgage Loans" or "Mortgage Loans"	means mortgage loans of participating mortgage lending banks which conform to the NMRC Uniform Underwriting Standards
"**Extraordinary Resolution**"	has the meaning defined in the Trust Deed;
"**Events of Default**"	means in respect of a Series, in relation to any Bonds of that Series, any of the events stipulated as such in Condition 9;
"**Financial Indebtedness**"	means any indebtedness for or in respect of: (a) monies borrowed; (b) any bond, note, debenture, loan stock or other similar instrument; (c) any redeemable preference share; (d) any finance or capital lease; (e) receivables sold or discounted (otherwise than on a non-recourse basis); (f) the acquisition cost of any asset to the extent payable after its acquisition or possession by the party liable where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of an asset; (g) any other transaction, (including any forward sale or purchase agreement) which has the commercial effect of a borrowing;

(h) any counter-indemnity obligation in respect of any guarantee, indemnity, bond or any other instrument issued by a bank or financial institution;

(i) any guarantee, indemnity or similar assurance against any financial loss of any person in respect of any item referred to in paragraphs (a) to (h) above;

"**Final Terms**" means the relevant Series Trust Deed, Supplementary Shelf Prospectus and/or Pricing Supplement specifying the final terms applicable to a Series of Bonds, provided that, in the event of inconsistency between the terms defined in the Series Trust Deed, Supplementary Shelf Prospectus and/or Pricing Supplement, the relevant term shall have the meaning specified in the relevant document ranking the highest in the following order of priority:

(i) firstly, the Series Trust Deed;

(ii) secondly, the Supplementary Shelf Prospectus and/or Pricing Supplement;

"**Final Redemption Amount**" means, in respect of any Bond, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms;

"**Guarantor**" means the Federal Government of Nigeria or any other entity specified in the applicable Final Terms;

"**Interest Amount**" means, in relation to a Bond and an Interest Period, the amount of interest payable in respect of that Bond for that Interest Period as may be specified in (an amortisation/payment schedule appended to), or determined in accordance with, the applicable Final Terms;

"**Interest Period**" means each period, as specified in the applicable Final Terms, in respect of which interest accrues on the Bonds of that Series, commencing on (and including) each Interest Payment Date and ending on (but excluding) the following Interest Payment Date, provided that the first Interest Period in respect of any Series of Bonds shall be from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date thereafter, as specified in the applicable Final Terms;

"**Interest Rate**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Bonds specified in the applicable Final Terms or calculated or determined in accordance with the provisions the applicable Final Terms;

"**Investment and Securities Act**" or "**ISA**" means the Investments and Securities Act No. 29 of 2007;

"**Interest Commencement Date**" means in respect of each Series of Bonds, the Issue Date or such other first date from which interest on such Bonds will accrue, as specified in the applicable Final Terms;

"**Issue Date**" **or** "**Closing Date**" in relation to a Series of Bonds, means the date specified as the Issue Date or Closing Date in the Pricing Supplement (Supplementary Shelf Prospectus) relating to the particular Series to be issued;

"**Issue Price"** means 100% or such other issue price specified in the applicable Final Terms in respect of each Series of Bonds;

"**Issuer**" or "**Company**" means Nigeria Mortgage Refinance Company Plc;

"**Issuing House**" means Dunn Loren Merrifield Advisory Partners Limited;

"Majority Noteholder"	means, in respect of each Series, Noteholders holding at least [fifty one per cent. (51%)] of the aggregate face value of the Notes outstanding for the time being under that Series, and, in respect of the Programme, Noteholders holding at least fifty one per cent (51%) of the aggregate face value of the Notes outstanding for the time being under the Programme;
"Master Collection Account"	means the account in which all monies (representing principal and interest received in respect of the Mortgage Loans including prepayment charges and proceeds from claims made under any insurance policy) are deposited in accordance with the Account Bank and Paying Agent Agreement.
"**Maturity Date**"	means in relation to a Series of Bonds, the final date upon which the Bonds of that Series are to be redeemed, as set out in the applicable Final Terms;
"MLB"	Mortgage Lending Bank
"**Month**"	means a calendar month;
"**MPR**"	means the Central Bank of Nigeria monetary policy rate (or any re-modification thereof);
"**Note Trustees**"	means Skye Trustees Limited & Stanbic IBTC Trustees Limited or any other trustee or trustees for the time being appointed under the Trust Deed or in replacement of any existing trustee; and
"**Offer Documents**"	means this Shelf Prospectus, the Pricing Supplement (Supplementary Shelf Prospectus) and any other document specified herein issued or to be issued by the Issuing House on behalf of the Company, inviting the public to subscribe to the Securities on the terms and conditions specified in them;
"**Offer**" **or** "**Issue**"	means an issue, offer for subscription or purchase, or an invitation to subscribe for or purchase the Securities pursuant to the Offer Documents;
"**Offer Period**"	means the period for which the Issue will be open as specified in the applicable Pricing Supplement (Supplementary Shelf Prospectus);
"**Optional Redemption Amount (Call)**"	means, in respect of any Bond, the principal amount outstanding at the Optional Redemption Call date or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms;
"**Optional Redemption Date (Call)**"	has the meaning given in the applicable Final Terms;
"**OTC market**"	means over-the-counter market;
"**Payment Date**" or "**Interest Payment Date**"	means in respect of each Series, the dates specified as such in the applicable Final Terms upon which interest and/or principal are due and payable in respect of the Bonds of that Series;
"**Payment Account**"	means, in relation to a Series, an account established by the Issuer with the Account Bank under the control of the Trustees which shall be funded by the Issuer with instalments to be determined in accordance with the applicable Final Terms;
"**Paying Agent**"	means, Standard Chartered Bank Limited or any other person or entity appointed as paying agent or in replacement of any existing paying agent pursuant to the provisions of the Trust Deed;
"Pool Factor"	means a four digit decimal calculated by the Trustees (by dividing the principal amount outstanding on the Notes by the original principal amount of the Notes) with respect to a quarter which when multiplied by the original

principal amount of the Notes, represents the amount determined to be the Noteholders pro rata share of the aggregate unpaid principal balance of the Notes with respect to that quarterly period.

"**Principal Amount Outstanding**"	means, on any day in relation to a Bond, the principal amount of that Bond on issue less the aggregate of all principal payments that have become due and payable in respect of that Bond and have been paid on or prior to that day;
"**Pricing Supplement (Supplementary Shelf Prospectus)**"	means the Supplementary Prospectus issued in relation to a Series of Bonds, the final terms specifying the relevant issue details in relation to that Series of Bonds, setting out such additional and/or other terms and conditions in such form as described in the section of the Shelf Prospectus headed "Form of Pricing Supplement";
"**Priority of Payments**"	means the priority of payments provided in Condition 7;
"**Programme**"	means the ₦140,000,000,000 (One Hundred and Forty Billion Naira) Nigeria Mortgage Refinance Company Plc Medium Term Note Programme constituted by the Trust Deed and prescribed in this Shelf Prospectus and the applicable Pricing Supplement (Supplementary Shelf Prospectus);
"**Programme Limit**"	means ₦140,000,000,000 (One Hundred and Forty Billion Naira) being the maximum aggregate principal amount of Bonds that can be issued and outstanding at any time under the Programme;
"**Receiving Banks**"	means Access Bank Plc. and Sterling Bank Plc or any other deposit money bank for the time being appointed or in replacement of any existing Receiving Banks.
"**Record Date**"	In relation to the Bonds, means the date specified as the record date in the Conditions and/or the Pricing Supplement (Supplementary Shelf Prospectus) for that Series, being 21 days before the due date for the relevant payment;
"**Redemption Amount**" or "**Principal Redemption Amount**"	means, in respect of any Bond, its principal amount or such other amount as may be specified in (an amortisation/payment schedule appended to), or determined in accordance with, the applicable Pricing Supplement (Supplementary Shelf Prospectus);
"**Redemption Amount**"	means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms;
"**Register**"	means the register containing the names, particulars and Bonds held by each Bondholder kept by the Registrars;
"**Registrars**"	means Meristem Registrars or any other person or entity appointed as registrars or in replacement of any existing registrar pursuant to the provisions of the Trust Deed;
"RTGS"	Real time gross settlement system;
"Securities Exchange"	means a securities exchange registered and recognized by the Securities and Exchange Commission.
"**SEC**" or the **"Commission"**	means the Securities and Exchange Commission established under the Investments and Securities Act;
"**SEC Rules & Regulations**"	means the Rules and Regulations of the Securities and Exchange Commission issued pursuant to the Investments and Securities Act No. 29 2007;

"**Series**"	means an issue of Bonds that are identical in all respects, including the Issue Date;
"**Shelf Prospectus**" or "**Base Shelf Prospectus**"	means this prospectus issued by the Company and registered with the SEC pursuant to the Rules and Regulations of the SEC;
"**Tranche**"	means one of the several related securities to be issued by the Issuer
"**Transaction Accounts**"	means the Collection, the Master Collection Account and the Payment Account;
"**Trustees**"	means the Note Trustees or any other trustee or trustees for the time being appointed under the Trust Deed or in replacement of any existing trustee; and
"**Year**"	means a calendar year.

DIRECTORS, SECRETARY AND OTHER PARTIES TO THE BOND ISSUE

ISSUER

Nigeria Mortgage Refinance Company Plc
Wing A, 5th Floor
Pent House, Clan's Place
Plot 1386A, Tigris Crescent
Maitama, Abuja

Prof. Charles Inyangete
Nigeria Mortgage Refinance Company Plc.
Wing A, 5th Floor
Pent House, Clan's Place
Plot 1386A, Tigris Crescent
Maitama, Abuja

Mr. Sonnie Ayere
Nigeria Mortgage Refinance Company Plc.
Wing A, 5th Floor
Pent House, Clan's Place
Plot 1386A, Tigris Crescent
Maitama, Abuja

Dr. Femi Johnson
Homebase Mortgage Limited
Plot 639, Adeyemo Alakija Street
Victoria Island
Lagos

Mr. Hassan Usman
Aso Savings & Loans Plc
Mortgage House
Plot 266 Cadastral AO
CBD, Abuja

Mr. Herbert Wigwe
Access Bank PIc
Plot 999C, Danmole Street
Victoria Island
Lagos

Mr. Uche Orji
Nigeria Sovereign Investment Authority
4th Floor, 1386A Tigris Crescent
Maitama
Abuja

Mr. Razack Adeyemi Adeola
Sterling Bank Plc
9th Floor, Sterling Towers
20, Marina
Lagos

COMPANY SECRETARY

Detail Nominees Limited
DCS Place
8 DCS Street
Lekki Phase 1
Lagos

ISSUING HOUSE

Dunn Loren Merrifield Advisory Partners
10th Floor, Elephant House
214 Broad Street
Marina
Lagos

AUDITORS TO THE COMPANY

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos

SOLICITORS TO THE OFFER

Olaniwun Ajayi
The Adunola
Plot L2, 401 Close,
Banana Island, Ikoyi
Lagos

SOLICITORS TO THE ISSUER

Detail Commercial Solicitors
DCS Place
8 DCS Street
Lekki Phase 1
Lagos

NOTE TRUSTEES

Stanbic IBTC Trustees Limited
The Wealth House,
Plot 1678 Olakunle Bakare Close
Off Sanusi Fafunwa Street, Victoria Island
Lagos.

Skye Trustees Limited
Skye Bank Building (3rd Floor)
30 Marina, Lagos

SECURITY TRUSTEE

FBN Trustees Limited
16 Keffi Street, Ist Floor,
Off Awolowo Road, Ikoyi
Lagos

SOLICITORS TO THE NOTE TRUSTEE

G. Elias & Co.
(Solicitors and Advocates)
6 Broad Street
Lagos

SOLICITORS TO THE SECURITY TRUSTEE

Perchstone & Graeys
1, Perchstone & Graeys Close,
Off Remi Olowude, Lekki,
Lagos

REGISTRARS

Meristem Registrars Limited
213 Hebert Macaulay Way
Sabo, Yaba
Lagos

STOCK BROKERS

Dunn Loren Merrifield Securities
10th Floor, Elephant House
214 Broad Street
Marina
Lagos

RECEIVING BANK

Access Bank Plc
Plot 999c Danmole Street
Victoria Island
Lagos

RECEIVING BANK

Sterling Bank Plc
Sterling Towers
20 Marina
Lagos

ACCOUNT BANK AND PAYING AGENT

Standard Chartered Bank Limited
105B Ajose Adeogun Street
Victoria Island, Lagos