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 of the Base Shelf Prospectus.

Dated 2nd November 2020

NMRC
Nigeria Mortgage Refinance Company

NIGERIA MORTGAGE REFINANCE COMPANY PLC

RC: 1123944

₦440,000,000,000.00 MEDIUM TERM NOTE PROGRAMME

2ND ADDENDUM TO THE BASE SHELF PROSPECTUS DATED 29 JULY, 2015

Under the Medium Term Note Programme described in the Base Shelf Prospectus dated 29 July, 2015 and this 2nd Addendum to the 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 ₦440,000,000,000.

The Issuer will advance the proceeds of each issue of the Bonds to refinance eligible mortgage loans of its participating finance institutions 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 2nd Addendum to the Shelf Prospectus (also hereinafter referred to as "2nd Addendum") 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 Addendum 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 Addendum is provided in Sections 85 and 86 of the ISA. This Addendum has been issued in compliance with the Rules and Regulations of the Commission and the listing requirements of a recognised exchange and contains particulars which are compliant with the requirements of the Commission for the purpose of giving information with regard to the ₦440,000,000,000 NMRC Plc Medium Term Note Programme.

This 2nd Addendum contains updated information on the Base Shelf Prospectus dated 29 July, 2015 and Addendum dated 21st May, 2018. The list of the documents incorporated by reference into this 2nd Addendum is presented on page 5. 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 the Shelf Prospectus and any Addendum thereof.

Bonds will be issued either in dematerialised form ("Dematerialised Bonds") as more fully described herein and in the applicable Pricing Supplement. 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 the Base Shelf Prospectus and any addendum thereof to the Base 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 the Base Shelf Prospectus, this Addendum or any Pricing Supplement. No securities will be allotted or issued on the basis of the Base Shelf Prospectus and any Addendum thereof read together with a Pricing Supplement later than three years after the date of the issue of the Shelf Prospectus unless renewed by the Commission.

A DECISION TO INVEST IN THE SECURITIES OFFERED BY THE ISSUER SHOULD BE BASED ON CONSIDERATION BY THE INVESTOR OF THE SHELF PROSPECTUS, ADDENDUM TO THE SHELF PROSPECTUS DATED 21ST MAY, 2018, THIS 2ND ADDENDUM TO 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 Addendum to the 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

DLM ADVISORY LIMITED

RC 688014

CONTENTS

UPDATED TRANSACTION OVERVIEW

NMRC's main purpose is to provide long-term funds to refinance the eligible loan portfolios of participating finance institutions that conform to NMRC's Uniform Underwriting Standards, with the goal of making the mortgage market liquid.

NMRC will refinance eligible mortgage loans of participating finance institutions 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.

UPDATED CREDIT STRUCTURE

NMRC will refinance eligible mortgage loans of participating finance institutions 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
Nigeria Mortgage Refinance Company

14th August, 2020

The Director-General
Securities & Exchange Commission
SEC Towers
Plot 272 Samuel Adesujo Ademulegun Street
Central Business District
Garki, Abuja

Dear Sir/Madam,

STATUTORY DECLARATION OF FULL DISCLOSURE IN RESPECT OF NIGERIA MORTGAGE REFINANCE COMPANY PLC'S PROPOSED BOND ISSUE OF ₦440,000,000,000 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 2nd Addendum to the shelf prospectus 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 Programme 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 2nd Addendum to the shelf prospectus 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 this 2nd Addendum to the 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 2nd Addendum to the shelf 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:

Tochukwu Mogbo
Company Secretary

Kanayo Mba
Ag. Chief Financial Officer

Kehinde Ogundimu
MD/CEO

NOTARY PUBLIC
SUNDAY. M JIMMY
FEDERAL REPUBLIC OF NIGERIA

Board Members
Mr. Razack Adeyemi Adeola, Mr. Alexander Adeyemi, Mr. Charles A. Candide-Johnson, SAN (Chairman)*, [illegible]emi Johnson, Dr. Olab[illegible],
Mr. Kehinde Ogundimu (Managing Director/ CEO), Mr. Uche Orji, Mrs. Fatima Wali-Abdurrahman*, Mr. Herbert Wigwe
*Independent Directors
18, Mississippi Street, Maitama, Abuja
RC: 1123944
www.nmrc.com.ng

The following documents have been filed with the Commission and shall be deemed incorporated in, and form part of this 2nd Addendum to the Shelf Prospectus: (i) declaration by the issuer of full disclosure; (ii) the audited financial statements of Nigeria Mortgage Refinance Company Plc. for the years ended 31 December 2017 to 31 December, 2019; and iii) the Rating Reports by Global Credit Rating Co. & Agusto & Co. dated November 2019 and June 2020 respectively.

Any Supplementary Shelf Prospectus and/or Pricing Supplement approved by the Commission is hereby incorporated by reference into the Shelf Prospectus and this 2nd Addendum to the Shelf Prospectus and forms an integral part of the Shelf Prospectus and this 2nd Addendum to the Shelf Prospectus.

The Shelf Prospectus dated 29 July, 2015, the Addendum to the Shelf Prospectus dated 21st May, 2018, this 2nd Addendum to the Shelf Prospectus and any Pricing Supplement, 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**
DLM Advisory Limited	**LAGOS OFFICE:**	
	Sonnie Ayere	+234(0)808-888-8866
	Emeka Ngene	+234(0)803-335-6126
	ABUJA OFFICE:	
	Nwabu Okonkwo	+234(0)905-502-5911

GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

Nigeria Mortgage Refinance Company Plc

Nigeria Financial Institution Analysis **November 2019**

Rating class	Rating scale	Rating	Outlook	Expiry date
Long-term Short-term	National	A-(NG) A2(NG)	Stable	October 2020

Financial data:

(USDm comparative)

	31/12/17	31/12/18
NGN/USD (avg.)*	305.3	305.6
NGN/USD (close)*	305.5	306.5
Total assets	139.3	226.1
Capital	38.4	43.0
Net advances	26.9	55.5
Liquid assets	110.2	168.2
Operating income	13.1	12.8
Profit after tax	6.3	6.1
Market capitalisation	n.a^	
Market share	n.a^	

*Central bank of Nigeria ("CBN") rate.

^Not applicable.

Rating history:

Initial rating (May 2015)
Long-term: BBB+(NG)
Rating outlook: Stable

Last rating (October 2018)
Long-term: A-(NG)
Short-term: A1-(NG)
Outlook: Stable

Related methodologies/research:

Criteria for Rating Banks and Other Financial Institutions, updated March 2017

NMRC rating reports, 2015-18

Glossary of Terms/ Ratios (February 2016)

GCR contacts:

Primary Analyst
Julius Adekeye
Senior Credit Analyst
adekeye@globalratings.net

Committee Chairperson
Dave King
king@globalratings.net

Analyst location: Lagos, Nigeria

Tel: +23 41 904-9462-3

Website: www.globalratings.com.ng

Summary rating rationale

- The accorded ratings reflect Nigeria Mortgage Refinance Company Plc's ("NMRC" or "the company") operational uniqueness as a private sector entity with a public purpose. As such, the ownership base comprised a blend of public sector-related entities and financial institutions. Specifically, two public sector related entities jointly own 36.6% of the company's paid-up share capital, while the remainder are diversely owned by local financial institutions (banks and non-bank financial institutions). Given the significant equity stake of the public sector-related entities in NMRC, government support for the company is implied and this is corroborated by the demonstrated willingness of Federal Government of Nigeria ("FGN") to provide a full guarantee on the company's debt issues during its initial operational stage. Furthermore, cognisance has been taken of the company's capitalisation, risk position and financial performance.
- NMRC is well capitalised vis-à-vis its current risk level, with total capital amounting to N13.2bn at FY18, representing a 12.5% year-on-year ("y/y") growth and translating to a risk weighted capital adequacy ratio of 67% (compared to the 10% statutory minimum requirement). The company has demonstrated strong commitment to capital preservation, with no dividend payment so far. Thus, internal capital generation has supported capitalisation in the five years to FY18, with growth pace accelerated in FY17 by new capital injection via additional shares issue (accelerating growth rate to 36% during the year).
- NMRC has largely mitigated liquidity risk through maintaining a highly liquid balance sheet, with liquid and trading assets comprising a notable 74.4% of the balance sheet at FY18 (FY17: 79.2%). Furthermore, a matching of assets and liabilities maturity at FY18 indicated comfortable liquidity buffers across all maturity bands.
- The company's asset quality (in terms of the mortgage refinancing loans) has remained strong, with no default reported from inception to date.
- NMRC's key profitability metrics weakened during the year, with both the ROaE and ROaA declining to 14.8% and 3.3% in FY18 from 18.9% and 4.6% in FY17 respectively. Although increased mortgage refinance pool delivered a 41% rise in the core income stream (mortgage refinancing) to N1.8bn in FY18, the company's revenue base remained dominated by FGN securities related income, which accounted for 67.3% of the reported interest income for the year. Despite recording a 15.1% improvement in interest income to N7.1bn, outpacing 46.2% increase in interest expenses saw net interest income contract 1.9% to N3.9bn. With inconsequential (N7m) support from non-funded income stream, total operating income registered c.2% y/y decline to N3.9bn.

Factors that could trigger a rating action may include

Positive change: The establishment and sustenance of a strong financial track record, together with clear evidence of delivery on mandate, would be positively considered.

Negative change: A negative rating action may follow a significant deterioration in profitability metrics, evidence of inability to deliver on mandate, as well as reduction in the likelihood of government support.

GLOBAL CREDIT RATING CO.

Nigeria Financial Institution Analysis | Public Credit Rating

Nigeria Mortgage Refinance Company Plc

Rating: A+

Issue Date: 17 June 2020

Expiry Date: 30 June 2021

Previous Rating: A+

Industry:
Mortgage Refinancing

Analysts:

Chiamaka Ozorjiri
chiamakaozorjiri@agusto.com

Adebiyi Olukoya
biyiolukoya@agusto.com

Agusto & Co. Limited
UBA House (5th Floor)
57, Marina
Lagos
Nigeria

www.agusto.com

RATING RATIONALE

Agusto & Co affirms the '**A+**' rating assigned to Nigeria Mortgage Refinance Company Plc ("NMRC" or "the Company"). The rating of the Company is supported by good profitability, strong capitalisation, good asset quality and a strong liquidity and funding profile. The rating affirmation is also underpinned by the notable support that NMRC receives from the Federal Government of Nigeria (FGN). FGN's support is demonstrated by the government's commitment to providing guarantees for NMRC's bond issuances. However, the rating is constrained by the low contribution of the Company's core activities to earnings and concentration in the mortgage refinancing and placement portfolios. We have also considered Nigeria's weak economy following the Covid-19 outbreak and the prevailing low yields on FGN treasury bills and money market placements and the attendant negative impact on growth and income.

The Company's principal activity is the provision of long-term funds to eligible mortgage lenders through the refinancing of mortgage loans originated by primary mortgage banks and commercial banks. The refinancing is funded with proceeds from the issuance of bonds in the Nigerian capital market. The Company enjoys an irrevocable and unconditional guarantee from the Federal Government of Nigeria (FGN) on a ₦440 billion debt issuance programme with an initial guarantee amount of ₦100 billion. NMRC leverages this guarantee in the issuance of debt securities to fund its refinancing activities.

In the review period, NMRC's refinancing activities were restricted to member institutions, which resulted in a portfolio of mortgage refinance loans that had significant concentration with only two institutions jointly accounting for 51% of total loans. In particular, refinanced loans to one member institution accounted for 35% of shareholders' funds, a breach of the Company's single obligor limit of 25%. Notwithstanding, we note that NMRC received approval from the Central Bank of Nigeria prior to the breach.

Shareholding Structure of the NMRC

NMRC currently has 26 investors with a total value for shares of ₦8.50 billion. The Ministry of Finance Incorporated (MoFI) and the Nigerian Sovereign Investment Authority (NSIA) own about 15.68% and 20.91% respectively, while twenty (24) CBN Licenced Financial Institutions represent the majority shareholders owning about 63.41% of the total shares of NMRC.

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 ₦8.50 Billion which exceeds the minimum capital requirement provided by the CBN, and Tier 2 Capital IDA line of credit of USD250 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 Shareholders

The following is a current list of the twenty-four (26) Shareholders:

Shareholders			
1.	Abbey Mortgage Bank Plc.	14.	Lagos Building & Investment Company Limited
2.	Access Bank Plc	15.	Mayfresh Savings & Loans Limited
3.	Brent Mortgage Bank	16.	Ministry of Finance
4.	Delta Trust Mortgage Finance Limited	17.	Nigeria Police Mortgage Bank Plc
5.	FirstTrust Mortgage Bank	18.	Nigeria Sovereign Investment Authority
6.	FHA Homes Savings & Loans Limited	19.	Omoluabi Mortgage Bank Plc
7.	Gateway Savings & Loans Limited	20.	Platinum Mortgage Bank Limited
8.	Haggai Mortgage Bank Limited	21.	Prudential Mortgage Bank Limited
9.	Heritage Banking Company Limited	22.	Refuge Home Savings & Loans Limited
10.	Homebase Mortgage Bank Limited	23.	Resort Savings and Loans Plc
11.	Imperial Homes Mortgage Bank Limited	24.	Stanbic IBTC
12.	Infinity Trust Mortgage Bank Plc.	25.	Sterling Bank Plc
13.	Jubilee Life Savings & Loans Limited	26.	SunTrust Savings & Loans Limited

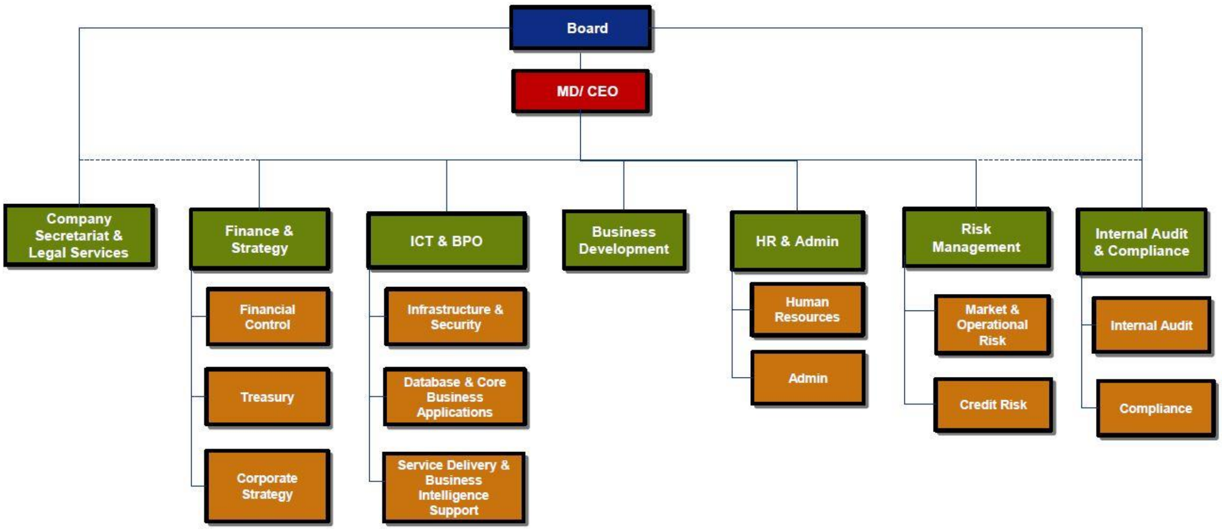
Corporate Governance Framework

The board consists of nine (9) members, 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.

Uniform Underwriting Standards

NMRC's Uniform Underwriting Standards is intended to outline the minimum uniform standards under which a mortgage loan underwritten by a participating finance institution will be eligible for refinancing by NMRC.

Organisational Chart



NMRC's Board of Directors (the "Board of Directors") is composed of nine (9) members. The Board members have undergone the due diligence process with the CBN and have obtained approval. The Company is implementing 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:

MR. CHARLES ADEYEMI CANDIDE-JOHNSON SAN, FCI ARB
Position: Board Chairman
Company: Senior partner at Strachan Partners

Charles Adeyemi Candide-Johnson is the Senior partner at Strachan Partners, which is a leading commercial law firm based in Lagos and Abuja, Nigeria and substantial practice across the nation. He was called to the Nigerian Bar in July 1984 and conferred with the rank of Senior Advocate of Nigeria in September 2003.

Received the LL.M Degree of the University of London in 1984 and between 1984 and 1990 was Counsel in the leading chambers of Jon. B. Majiyagbe SAN, in Kano, Nigeria. He moved to Lagos in 1990 to establish the Lagos practice of that firm and in 1994 led the founding of Strachan Partners.

He is an author of several scholarly papers as well as the leading text book on Arbitration in Nigeria. He is engaged as leading counsel in on-going major and high profile commercial and public policy litigation across the courts of Nigeria. He has acted either as counsel or as arbitrator in several domestic and international commercial arbitrations in the maritime, petroleum and construction industries and has made presentations on arbitration in Nigeria in several international fora. He is married to Olatowun (Nee Caxton-Martins) with children

MR. KEHINDE OGUNDIMU
Position: Managing Director/ Chief Executive Officer

Mr. Ogundimu is the MD/CEO 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).

MR. HERBERT WIGWE
Position: Non- Executive Director
Company/Role: Group Managing Director/CEO 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: MD/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/Committees: 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.

DR. OLABANJO OBALEYE
Position: Non- Executive Director
Company: MD, Infinity Trust Mortgage Bank Plc

Dr. Olabanjo Obaleye is the Managing Director /CEO of Infinity Trust Mortgage Bank PLC. He is also the Publicity Secretary for the Mortgage Banking Association of Nigeria (MBAN) and holds a Doctorate Degree in Business Administration (DBA) from Walden University, Baltimore, USA. He obtained a Master's degree in Financial Management from the University of Abuja and BSc Accounting from Obafemi Awolowo University. He worked in several banking institutions, which included Afribank Nigeria, Midas Bank, and Societe Bancaire Nigeria Limited before joining the services of Infinity Trust Mortgage Bank as GM/CEO in 2004.

Dr. Obaleye is a Fellow (FCA) of the Institute of Chartered Accountants of Nigeria (ICAN); Associate of the Chartered Institute of Taxation of Nigeria (CITN), and a Member, Institute of Directors of Nigeria (M,IOD). He has attended several executive management programs in leading Institutions like Wharton Business School, University of Pennsylvania, USA; Strathmore University Business School, Nairobi, Kenya; Lagos Business School, Nigeria, amongst others.

MRS. FATIMA WALI-ABDULRRAHMAN
Position: Non- Executive Director
Institution: Managing Director, Filmo Development Co. Limited

Fatima Wali-Abdurrahman is the Managing Director of Filmo Development Co. Limited, a privately held Company specializing in the delivery of a full range of real estate services – property development; property management; design and construction and project management. Identified and acquired new business, managing all aspects of the real estate value chain. Since 1994, she has provided leadership to the firm and been engaged by corporate clients representing a broad range of industry sectors.

She holds a Bachelor's degree in Architecture & Urban Studies (B.A, 1983), University of Minnesota, U.S.A, and a Master's degree (M.Sc (Arch.), 1987) in Economics & Management of Construction from University College London, U.K.
Over the years, she has served as member of various boards of directors and trustees of a wide range on corporate and government organisations including BGL Plc (2009), Megastrat Ltd (2011), Lagos State University Governing Council (2012), Consolidated Discounts Limited (2013), Child Life Line (2013).

MR. ALEXANDER ADEYEMI
Position: Non- Executive Director
Institution: Director, Revenue and Investment, Office of the Accountant-General of the Federation

Mr. Alexander M. Adeyemi, FCA, FCTI, is a distinguished fellow of the National Institute (mni). He comes with over 25 years' finance and accounting experience, working in the public and private sectors including International organizations.

He currently serves as Director, Revenue and Investment in the Office of the Accountant-General of the Federation. An alumnus of Bayero University Kano, he obtained a Master's degree in Business Administration (MBA) from Ahmadu Bello University, Zaria. He is a fellow, Institute of Chartered Accountants of Nigeria (ICAN); Fellow, Chartered Institute of Taxation of Nigeria (CITN); and Member, Institute of Bankers, London.

He is also a member of the Chartered Institute of Public Finance and Accountancy (CIPFA), London and the Certified Information System Auditor (CISA). .

Nigeria Mortgage Refinance Company Plc

Annual Report

31 December 2019

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Corporate information

Name of Directors	Charles Adeyemi Candide-Johnson (SAN, FCI.Arb)	Chairman
	Kehinde Ogundimu	Chief Executive Officer
	Fatima Wali-Abdurrahman	Independent Non-Executive Director
	Alexander Musa Adeyemi**	Non-Executive Director
	Herbert Wigwe	Non-Executive Director
	Razack Adeyemi Adeola	Non-Executive Director
	Uche Orji	Non-Executive Director
	Adeniyi Akinlusi	Non-Executive Director
	Olufemi Johnson, DBA	Non-Executive Director
	Bakari Wadinga, PhD*	Non-Executive Director

* Retired effective 24 May 2019
** Appointed Non-Executive Director effective 10 July 2019

Corporate Office	18 Mississippi Street Maitama Abuja
Auditors	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos www.kpmg.com/ng
Company Secretary	Tochukwu Kelly Mogbo Company secretary 18 Mississippi Street Maitama Abuja
Bankers	Access Bank Plc Ecobank Nigeria Limited Fidelity Bank Plc First Bank of Nigeria Plc Guaranty Trust Bank Heritage Bank Stanbic IBTC Standard Chartered Bank Sterling Bank Plc Imperial Homes Mortgage Bank Trustbond Mortgage Bank Homebase Mortgage Bank Infinity Trust Mortgage Bank
Registration Number	RC1123944
Tax Identification Number	17836949-0001

Directors' report
for the year ended 31 December 2019

The Directors have pleasure in presenting the 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 2019.

(a) **Legal form and principal activity**
Nigeria Mortgage Refinance Company Plc ("the Company") was incorporated on 24 June 2013 as a public liability company and commenced operations on 1 March 2015. The Company is registered with the Securities and Exchange Commission (SEC) and regulated by the Central Bank of Nigeria (CBN) as a Mortgage Refinance Company.

The principal activity of the Company is to provide long term funds to eligible mortgage lenders through refinancing of mortgage loans originated by primary mortgage institutions by issuing long term bonds in the capital market and/or securitising purchased mortgage loans.

(b) **Operating results**
The highlights of the Company's operating results for the year under review are as follows:

In thousands of Naira	**31 December 2019**	**31 December 2018**
Gross earnings	9,618,090	7,086,251
Profit before income tax and minimum tax	3,097,373	1,935,496
Income tax expense	(30,818)	(19,163)
Minimum tax	(48,099)	(75,224)
Profit after taxation	3,018,456	1,841,109
Other comprehensive income for the year, net of income tax	514,745	(92,105)
Total comprehensive income for the year	3,533,201	1,749,004
Earnings per share (Basic and diluted) - kobo	142 k	93 k

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

		Direct		Indirect	
		No. of shares held	% Holding	No. of shares held	% Holding
Charles Adeyemi Candide-Johnson (SAN, FCI.Arb)	Chairman	-	-	-	-
Kehinde Ogundimu	Chief Executive Officer	-	-	-	-
Fatima Wali-Abdurrahman	Independent Non-Executive Director	-	-	-	-
Alexander Musa Adeyemi**	Non-Executive Director	-	-	-	-
Herbert Wigwe	Non-Executive Director	-	-	-	-
Razack Adeyemi Adeola	Non-Executive Director	-	-	-	-
Uche Orji	Non-Executive Director	-	-	-	-
Adeniyi Akinlusi	Non-Executive Director	-	-	-	-
Olufemi Johnson, DBA	Non-Executive Director	-	-	-	-
Bakari Wadinga, PhD*	Non-Executive Director	-	-	-	-

*Retired effective 24 May 2019
** Appointed Non-Executive Director effective 10 July 2019

(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.

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(e) Analysis of shareholding

According to the register of members, the following shareholders held more than 5% of the issued share capital of the Company as follows:

Shareholders	31 December 2019 Number of holdings	31 December 2019 Percentage of holdings (%)	31 December 2018 Number of holdings	31 December 2018 Percentage of holdings (%)
Nigerian Sovereign Investment Authority	444,444,444	20.91	444,444,444	20.91
Ministry of Finance Incorporated	333,333,333	15.68	333,333,333	15.68
Homebase Mortgage Bank Limited	277,777,777	13.07	277,777,777	13.07
First Trust Mortgage Bank Plc	191,555,554	9.01	166,666,666	7.84
FHA Homes Limited	138,888,888	6.53	138,888,888	6.53

The shareholding pattern of the Company as at the reporting dates are as stated below:

31 December 2019

Range	Number of Shareholders	% of Shareholders	Number of Holdings	% of Shareholdings
1,000,000- 50,000,000	16	61.6	408,333,321	19
50,000,001-100,000,000	5	19.2	331,111,109	16
100,000,001-500,000,000	5	19.2	1,385,999,997	65
TOTAL	26	100	2,125,444,427	100

31 December 2018

Range	Number of Shareholders	% of Shareholders	Number of Holdings	% of Shareholdings
1,000,000- 50,000,000	17	63.0	433,222,209	20
50,000,001-100,000,000	5	18.5	331,111,109	16
100,000,001-500,000,000	5	18.5	1,361,111,109	64
TOTAL	27	100	2,125,444,427	100

(f) Risk management report

(i) Introduction and overview of NMRC's risk management framework

The Nigerian Mortgage Refinance Company adopts a holistic and integrated approach to the management of risks across its business and operations with regular evaluation of risks and control processes.

Risk Management forms part of NMRC's culture and is embedded into business processes and practices. The Board-approved Risk Framework details the responsibility and accountability of the Board of Directors ("the Board"), Board Credit and Investment Committee, Board Risk Management Committee, Board Audit Committee, Management Credit Committee, Management Risk Committee, Asset and Liability Management Committee, Chief Executive Officer, Risk Management Department, Internal Audit Department and NMRC employees.

NMRC's risk management framework articulates the Risk Management philosophy and Risk Acceptance Criteria (RAC), which form the foundation of the Company's business model. As part of its risk management philosophy, NMRC in collaboration with the industry has developed the Uniform Underwriting Standards (UUS) which serves as the industry standard for granting home mortgage loans to borrowers that will qualify for NMRC refinancing facility, thereby promoting efficiency and mitigating the mortgage financing risks in the market as well as lead to more affordable home ownership in Nigeria.

The Uniform Underwriting Standards help NMRC to:
I. Establish mortgage lending standards and procedures within the Nigerian mortgage market, thereby facilitating improved access to housing finance; and
II. Develop and institutionalize 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.
Lending standards promote efficiency and mitigate the legal and operational risks inherent in mortgage lending by ensuring quality collateral, adequate property title, proper registration, enforcement of legal mortgages, and maintenance of efficient collection processes. Such standards balance the requirements of responsible finance with lenders' needs to enforce loan contracts. NMRC's goal is to act as a catalytic and focused advocate to address the issues of standardization and effective risk management.

Also as part of its overall risk management culture, NMRC has deployed a state-of the- art and world class ICT mortgage market infrastructure that enhances risk management. This ICT Mortgage Market system will provide a standard operating platform for creating and managing the Company's refinanced mortgage portfolios from the stage of origination of the mortgages by the Primary Mortgage Banks (PMBs) to the point of refinancing by NMRC and until the loan is fully repaid. All NMRC Member Banks will adopt the ICT software as their operating software for all mortgages intended to be ultimately refinanced by NMRC after they have been running for a satisfactory length of time (in line with the Uniform Underwriting Standards). NMRC has also put in place adequate internal control systems to manage its business and operations.

NMRC's risk management framework has been designed to drive the achievement of the Company's strategic objectives:
I. To encourage financial institutions to increase mortgage lending by providing them with long term funding;
II. To increase the maturity structure of mortgage loans and assist to reduce mortgage default rates;
III. To increase the efficiency of mortgage lending by taking a lead role in proposing changes to the enabling environment for mortgage lending through standardization of mortgage lending practices of financial institutions; and
IV. To introduce a new class of high quality long-term assets to the pension funds and other investors.

NMRC's risk management framework provides for three lines of defence in managing risks within the Company:
I. Business units/departments are the first line of defence, and have the primary responsibility of identifying, mitigating and managing risks within their scope of operation. They also ensure that their day-to-day activities are carried out within established risk policies, procedures and limits.

II. An independent Risk Management Department plays the role of second line of defence by providing specialized resources to anticipate and manage risks. This includes the assessment of risk exposures and the coordination of risk management on an enterprise-wide basis. Risk Management Department is also responsible for ensuring that risk policies are implemented accordingly.

III. The Internal Audit Department is the third line of defence, and is responsible for independently overseeing the adequacy and effectiveness of risk management processes, system of internal controls and compliance with risk policies.

(ii) NMRC's Risk Governance Structure

The Board is primarily and ultimately responsible for setting the overall strategic direction for NMRC. The Board provides oversight to ensure that Management has appropriate risk management system and practices established to manage risks associated with the Company's operations and activities. The Board achieves this through:

a) setting the overall tone of the Company's risk appetite and ensuring that this is well enshrined in its corporate culture;
b) approving firm-wide standards for different types of risk including e.g. credit risk, market risk and operational risk;
c) identifying, understanding and assessing the types of risk inherent in the NMRC's business activities or major new products or services to be launched; laying down the risk management strategies;
d) approving a risk management framework consistent with NMRC's business strategies and risk appetite; determining that the risk management framework is properly implemented and maintained;
e) reviewing the risk management framework periodically to determine their adequacy in comparison to the prevailing business conditions;
f) determining that there are clear reporting lines and responsibilities for the risk management function;
g) approving the allocation of resources to business units or divisions in accordance with NMRC's risk appetite;
h) maintaining continued awareness of any changes in the Company's risk profile; and
i) approving the provision of adequate resources (e.g. financial, technical expertise and systems technology) for risk management purposes.

The Board Risk Management Committee assists the Board by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Company's risks. The Board Risk Management Committee is supported by management committees in addressing any key risks identified. The Management Credit Committee, Management Risk and Compliance Committee, and Asset and Liability Management Committee which are constituted by senior management of NMRC and chaired by its CEO, undertakes the oversight function for capital allocation and prescription of overall risk limits, aligning them to the risk appetite set by the Board. Management is also responsible for the implementation of policies laid down by the Board and ensuring there are adequate and effective operational procedures, internal controls and systems to support these policies.

(iii) The Risk Management Department
The Risk Management Department is responsible for identifying, measuring, analysing, controlling, monitoring and reporting of risk exposures independently and coordinating the management of risks on an enterprise-wide basis. To effectively discharge its duties, the Risk Management Department is independent of other departments involved in risk-taking activities.

(iv) Operational Risk Management
Operational risk is the potential loss resulting from inadequate or failed internal processes, people and systems, or from external events. Each business/department undertakes self-assessment of its own risk and control environment to identify, assess and manage its operational risks. NMRC has established comprehensive internal controls, systems and procedures that are subject to regular review by both internal and external auditors. Business Continuity Plans are in place to minimize unexpected disruption and reduce time to restore operations.

(v) Strategic Risk Management
Strategic risk is the risk of not achieving the Company's corporate strategy and goals, which may be caused by internal factors such as deficiency in performance planning, execution and monitoring, and external factors such as market environment. Strategic risk management is addressed by the Board's involvement in the setting of the Company strategic goals. The Board is regularly updated on matters affecting corporate strategy implementation and corporate transactions.

(vi) Reputational Risk Management
NMRC's reputation and image as perceived by clients, investors, regulators and the general public is of utmost importance to the continued growth and success of the Company's business and operations. Invariably, reputational risk is dependent on the nature/ model of business, selection of clients and counterparties and reliability and effectiveness of business processes. Stringent screening of potential clients and design of business in accordance with high standards and regulatory compliance are incorporated to safeguard the Company's business reputation and image.

(vii) Compliance Risk Management
Compliance risk is the risk to earnings, capital or reputation occurring from violation of or non-conformity with laws, regulations, prescribed practices or ethical standards and may result in fines, penalties, payment of damages and voiding of contracts. The Board has an oversight function of the compliance risk framework for the NMRC. In managing Compliance Risk, NMRC engages PMBs directly, constantly monitoring their obligations in fulfilling their due diligence activities. This includes ensuring that the PMBs:
i. Have designated Compliance Departments
ii. Have a Chief Compliance Officer in accordance with regulatory specifications
iii. Render compliance regulatory returns and reports in strict accordance with specifications to the regulatory bodies

Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT)
NMRC is committed to cooperating with the Government and the Agencies coordinating the implementation of Anti Money Laundering laws and combating financing of terrorism with a view to preventing the Company from being used for such activities. The NMRC's Policies and Procedure are established to ensure compliance with the applicable laws of the country. NMRC supports its staff to achieve the highest standard of compliance integrity. The employees of NMRC undergo periodic trainings to help them to be fully aware of both NMRC's commitment to preventing Money Laundering and Terrorism Financing and their own responsibilities and obligations in achieving this goal.

(viii) Information Security and IT Risk Management
Information security is the process by which NMRC protects and secures systems, media and facilities that process and maintain information vital to its business operations. NMRC has put in place an adequate assessment system that identifies the value and sensitivity of information and system components as well as the exposure from threats and vulnerabilities. All computerized confidential information stored on computers, laptops or the centralized NMRC server and to which access is obtained via communications facilities are protected using the latest firewall software. Periodic evaluation of the adequacy of controls are carried out to ensure up to date protection.

(ix) Legal Risk Management
Legal risk is the risk of real or threatened litigation against NMRC. Legal risks can represent significant costs to NMRC, disrupt the operation of NMRC and reduce the earnings and capital of NMRC. Legal risk may arise from unenforceable contracts, lawsuits, adverse judgments and loss of corporate focus. NMRC has established a legal risk policy to address any potential legal risks within the Company.

(x) Whistle Blowing Structures
The Whistle Blowing Policy provides for dedicated phone lines as well as email addresses for the communication of any act that violates sound ethics and the corporate governance code of the Company. The Policy also provides protection for the whistle blower and incentives for whistle blowers who report issues that are found to be true and could negatively impact on the Company's operations where not promptly reported. The Company has a dedicated phone number and email address through which complaints can be received. The email address is whistleblower@nmrc.com.ng

(xi) Internal Control Systems
NMRC's internal control system encompasses the following key processes:
Authority and Responsibility
a) An organisational structure, job descriptions and Key Results Areas (KRA), which clearly define lines of responsibility and accountability aligned to business and operational requirements.
b) Clearly defined lines of responsibility and delegation of authority to the Committees of the Board, Management and staff.
c) Management has also set up key Management Committees to ensure effective management and supervision of the areas under the respective Committees' purview.

Planning, Monitoring and Reporting

a) An Annual Business Plan and Budget is developed, presented and approved by the Board before implementation. In addition, actual performances are reviewed against the targeted results on a monthly basis allowing timely responses and corrective actions to be taken to mitigate risks. The result of such performance review is reported to the Board on a quarterly basis. Where necessary, Business Plan and Budget are revised mid-year, taking into account any changes in business conditions.

b) Regular reporting to the Board and the Board Committees. Reports on the financial position, status of loans and debts purchased, bonds and notes issued are provided to the Board at least once a quarter. Where necessary, other issues such as legal, accounting and other relevant matters are also reported to the Board

c) Regular and comprehensive information are provided to Management covering financial and operational reports at least on a monthly basis

Policies and Procedures

Clear, formalized and documented internal policies and procedures manuals are in place to ensure compliance with internal controls and relevant laws and regulations. Regular reviews are performed to ensure that documentation remains current and relevant.

Independent Review by Internal Audit Department

a) The Internal Audit Department provides assurance to the Board by conducting an independent review of the adequacy, effectiveness and integrity of the system of internal controls. It adopts a risk-based approach in accordance with the annual audit plan approved by the Committee. The results of audits are presented to the Board Audit Committee.

b) The audit plan and audit reports are also submitted to the Board and the respective units to inform them of any weaknesses in the internal controls system.

Business Continuity Planning

A Business Continuity Plan (BCP), including a Disaster Recovery Plan is in place to ensure continuity of business operations.

(g) Property and equipment

The information relating to property and equipment is given in Note 10 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.

(h) Corporate Social Responsibility (CSR)

During the year, the Company embarked on its yearly corporate social responsibility (CSR) initiative with a focus on youth empowerment through sustainable entrepreneurship skills in housing and construction. NMRC partnered with the National Agency for the Prohibition of Trafficking in Persons (NAPTIP) and the Industrial Training Fund (ITF) to execute the project.

The beneficiaries were youths drawn from underprivileged communities and victims of human trafficking under the care of NAPTIP and were trained in the following trade areas:

- Screeding/Painting
- Plumbing & Pipe Fitting
- Electrical Installation
- Interior/Event Decoration

A total of forty (40) participants enrolled for the two months training, at the end of which starter packs were handed out to the beneficiaries.
The total cost of the program was ₦6,800,460 (31 December 2018: ₦10,365,000).

(i) Human Resources

The Company commenced operations on 1 March 2015 and had 25 employees at the end of the year (2018: 24 employees). The Company operates a non discriminatory policy on recruitment. Applications by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is provided. It is the policy of the Company that the training, career development and promotion of disabled persons should as far as possible, be identical with those of other employees.

The Company had no disabled person in its employment as at 31 December 2019 (2018: nil)

Gender analysis of employees during the year

	31 December 2019		
Description	**Number**	**% of Total staff**	**% of Total new hire**
Female new hire	1	4.00%	50.00%
Male new hire	1	4.00%	50.00%
Total new hire	2	8.00%	100.00%
Female as at December 2019	10	40.0%	
Male as at December 2019	15	60.0%	
Total Staff	25	100.0%	

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	31 December 2018		
Description	**Number**	**% of Total staff**	**% of Total new hire**
Female new hire	-	-	-
Male new hire	-	-	-
Total new hire	-	-	-
Female as at December 2018	9	37.5%	
Male as at December 2018	15	62.5%	
Total Staff	24	100.0%	

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

There were no events after the reporting date which could have material effect on the financial statements that have not been adequately provided for or disclosed.

(k) **Auditors**

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with section 357 (2) of the Companies and Allied Matters Act, Cap C.20, therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD,

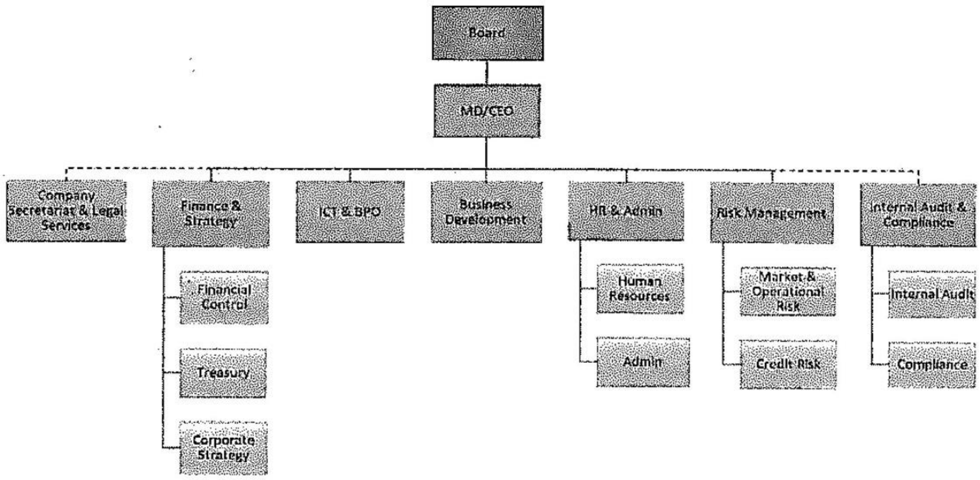
Tochukwu Kelly Mogbo
Company Secretary
FRC/2017/NBA/00000016357
18 Mississippi Street
Maitama
Abuja
18 March 2020

Corporate Governance Report

The Nigeria Mortgage Refinance Company Plc (NMRC) is committed to the best Corporate Governance Practices. The Company believes this is critical to the creation and delivery of long-term sustainable value in a manner consistent with its obligations as a responsible corporate organization.

Compliance with International Best Practices in Corporate Governance
NMRC ensures that sound Corporate Governance practices are embedded in all areas of its operations. In this regard, the Company emphasizes strict adherence to the Central Bank of Nigeria (CBN) Corporate Governance Code as revised in 2018, the SEC Code of Corporate Governance 2011, the provisions of the Banks and Other Financial Institutions Act (BOFIA) 1991 as amended and other International Best Practices and Standards on Corporate Governance. The Company's operations are also guided by the CBN Regulatory and Supervisory Framework for the establishment of a Mortgage Refinance Company.

NMRC Governance Structure
The Board of Directors provides oversight of the Internal Control and Risk Management policies and practices of NMRC. The Board is supported in its oversight function by the various Board Committees. The Committees' roles and responsibilities are set out in their respective charters. The Charters are reviewed and updated periodically to ensure its contents remain relevant in contemporary industry operations. The Charters also define the roles, responsibilities, scope of authority, composition and procedures for reporting to the Board.



Organization Structure

The Office of the Managing Director/CEO

The Managing Director/Chief Executive Officer of NMRC is responsible for providing strategic leadership and oversight to the NMRC management team in the development of strategic, tactical and operational plans. He works with the Board of Directors to formulate corporate investment policies and strategies; and is responsible for implementing long-term strategic goals, plans and policies.

The MD / CEO's responsibilities include:

- The overall day-to-day management of the Company.
- The development and communication of corporate strategic objectives and implementation guidelines.
- Developing strategic operating plans that reflect the long term objectives and priorities established by the Board.
- Ensuring that the operating objectives and standards of performance are not only understood but also owned by the management and other employees.
- Ensuring that the Company meets the highest levels of Corporate Governance and Corporate responsibility through implementation of appropriate risk control mechanisms, policies and effective compliance mechanisms.
- Communicating the Company's objectives, strategies, policies and directions to Senior Management and all other staff.
- Ensuring full adherence to Risk Management Framework and creating a culture of financial risk awareness throughout the Company.
- Creating a transparent and timely financial reporting and management information system to help manage the business.
- Communicating with external parties by representing the Company to customers, Government, the public and other external sources, including investors.
- Ensuring that the Company's operations are conducted in accordance with the rules of all regulatory bodies (Central Bank of Nigeria, Securities and Exchange commission, etc.), as well as any other rules and regulations applicable to the Company.
- Recruiting, developing and building a team of highly professional and effective staff by building and nurturing mutual trust, respect and cooperation among staff.

Internal Management Structure

The Managing Director/ Chief Executive Officer, Kehinde Ogundimu, leads the Management Team of the NMRC. He is supported by a competent management team of one Associate Director, One Senior Vice President, three Vice Presidents, three Assistant Vice Presidents, and other supporting staff.

The Board of Directors

The Board of the Nigeria Mortgage Refinance Company Plc is committed to effective corporate governance practices and is ultimately accountable to the shareholders for creating and delivering value through the promotion of home ownership via affordable mortgage loans and provision of long term financing to Mortgage Lending Institutions.

The Board determines and formulates the policies and strategies of the Company and oversees the strategic plan towards achieving the long-term goals of the NMRC. It supervises the overall performance of the Company through:

- The review of quarterly and year-end financial statements;
- Identification and management of investment risks;
- Monitoring the performance of the Company against agreed targets.

The Company's Board is currently comprised of an Independent Non-Executive Chairman, one (1) Executive Director, one (1) Independent Non-Executive Director, and six (6) Non-Executive Directors as listed below:-

Charles Adeyemi Candide-Johnson (SAN, FCI.Arb)	*Chairman*
Kehinde Ogundimu	*Chief Executive Officer*
Fatima Wali-Abdurrahman	*Independent Non-Executive Director*
Alexander Musa Adeyemi**	*Non-Executive Director*
Herbert Wigwe	*Non-Executive Director*
Razack Adeyemi Adeola	*Non-Executive Director*
Uche Orji	*Non-Executive Director*
Adeniyi Akinlusi	*Non-Executive Director*
Olufemi Johnson, DBA	*Non-Executive Director*
Bakari Wadinga, PhD*	*Non-Executive Director*

* Retired effective 24 May 2019
** Appointed Non-Executive Director effective 10 July 2019

Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2019

The directors accept responsibility for the preparation of the annual financial statements 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, Cap C.20, the Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria ("BOFIA"), the Mortgage Refinance Company (MRC) Regulatory Framework, 2013, and relevant Central Bank of Nigeria ("CBN") guidelines and 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:

Charles Adeyemi Candide-Johnson (SAN, FCIArb)
Chairman
FRC/2017/NBA/00000016108
18 March 2020

Kehinde Ogundimu
Chief Executive Officer
FRC/2015/ICAN/00000011195
18 March 2020

Report of the audit committee

for the year ended 31 December 2019

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, Cap C.20, the members of the Audit Committee of Nigeria Mortgage Refinance Company Plc hereby report on the financial statements for the year ended 31 December 2019 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 2019 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 year end audit and we are satisfied with management's responses thereon and with the effectiveness of the Company's system of accounting and internal control.

Banjo Obaleye, DBA
Chairman, Audit committee
FRC/2014/ICAN/00000008786
18 March 2020

Members of the Audit Committee are:

1	Banjo Obaleye, DBA	Shareholder	Chairman
2	Femi Johnson, DBA	Non-executive Director	Member
3	Adeniyi Akinlusi	Non-executive Director	Member
4	Alexander Adeyemi	Non-executive Director	Member
5	Ayo Olowookere	Shareholder	Member
6	Ifie Sekibo	Shareholder	Member

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

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nigeria Mortgage Refinance Company Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nigeria Mortgage Refinance Company Plc (the Company), which comprise the statement of financial position as at 31 December, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 18 to 61.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3 LFN 2004, the Mortgage Refinance Company regulatory and supervisory framework, 2013, and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances

The impairment of loans and advances disbursed to customers is considered to be of most significance in the audit due to the level of subjectivity inherent in estimating the impact of key assumptions on the recoverability of loan balances, including the application of industry knowledge and prevailing economic conditions in arriving at the level of impairment allowance required.

The determination of impairment allowance using the Expected Credit Loss (ECL) model requires the application of certain financial indices which are estimated from historical financial data obtained within and outside the Company, as inputs, into the complex financial models.

Impairment allowance on loans that have shown a significant increase in credit risk, is based on the Company's estimate of losses expected to result from default events over the life of the loans. Impairment allowance on other loans that have not shown a significant increase in credit risk is recognized based on an estimate of the losses expected to result from default events within 12 months. This estimate is also an output of models, with the key assumptions being the possibility of a loan becoming past due and subsequently defaulting, the rate of recovery on the loans that are past due and in default.

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The judgment involved in classifying loans into stages, the level of subjectivity inherent in estimating the key assumptions on the recoverability of loan balances, the inputs estimated, the complexity of the estimation process and the significant judgment involved in applying these estimates to determine the level of impairment allowance required, make the impairment of loans and advances a matter of significance to the audit.

Procedures
Our procedures included the following with respect to impairment of loans and advances as at 31 December 2019:

- We evaluated the design and implementation of the key controls over the impairment determination process such as the credit committee review of loans and advances. The key controls evaluated covered processes such as management review of relevant data used in the calculation of expected credit losses including forward looking macroeconomic data to be included in the impairment model.

- We tested the appropriateness of the Company's determination of significant increase in credit risk and the resultant classification of loans into the various stages. We examined the entire loans and advances. For those loans and advances which have shown a significant increase in credit risk, we evaluated the level of past due obligations and qualitative factors such as publicly available information about the obligors to determine whether the Company should estimate the expected credit loss over a period of 12 months or over the life of the loans and advances.

- We checked the key data and assumptions for the data input into the ECL model used by the Company. Our procedures in this regard included the following:

  (i) We challenged the reasonableness of the Company's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic condition. Information considered include: industry historical default rates, foreign exchange rate, inflation rate and Gross Domestic Product (GDP) growth rates.

KPMG

(ii) For forward looking assumptions comprising foreign exchange rate and Gross Domestic Product (GDP) growth rate used by the Company's management in its ECL calculations, we corroborated management's assumptions using publicly available information from external sources;

(iii) We evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate;

(iv) For Probability of Default (PD) used in the ECL calculations we checked the historical movement in the balances of facilities;

(v) We checked the calculation of the Loss Given Default (LGD) used by the Company in the ECL calculations, including the appropriateness of the use of collateral, by recomputing the LGD.

(vi) We re-performed the calculations of impairment allowance for loans and advances using the Company's impairment model and validated key inputs. For loans and advances which have shown a significant increase in credit risk, the recalculation was based on the amount which the Company may not recover throughout the life of the loans while for loans and advances that have not shown significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year.

The Company's accounting policy on impairment and related disclosures on credit risk are shown in notes 3.1(c) and 4(a) respectively.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, Report of the Audit Committee and Other National Disclosures but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3 LFN 2004, the Mortgage Refinance Company regulatory and supervisory framework, 2013, and relevant Central Bank of Nigeria (CBN) Guidelines and 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

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 Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Compliance with Section 27 (2) of the Banks and the other Financial Institutions Act Cap B3, Laws of the Federation of Nigeria, 2004 and Central Bank of Nigeria circular BSD/1/2004

i. The Company did not pay any penalty in respect of any contravention of the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria 2004, during the year ended 31 December 2019.
ii. Related party transactions and balances are disclosed in note 25 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Akinyemi J. Ashade FCA
FRC/2013/ICAN/00000000786
For: KPMG Professional Services
Chartered Accountants
18 March 2020
Lagos, Nigeria

Statement of financial position

As at 31 December 2019

In thousands of Naira	Notes	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents	6	5,859,280	5,586,311
Placements with banks	7	1,494,950	919,133
Mortgage refinance loans	8	18,339,488	17,024,218
Investment securities			
- FVOCI	9	5,360,556	6,651,971
- Amortised cost	9	41,149,334	38,381,469
Property and equipment	10	519,944	545,727
Intangible assets	11	22,535	40,620
Other assets	12	121,220	142,433
Total assets		72,867,307	69,291,882
Liabilities			
Debt securities issued	13(a)	17,264,522	17,743,249
Borrowings	13(b)	37,598,419	37,598,419
Current tax liabilities	21(b)	78,603	93,858
Other liabilities	14	1,198,908	662,702
Total liabilities		56,140,452	56,098,228
Capital and reserves			
Share capital	15(a)(ii)	2,125,444	2,125,444
Share premium	15(a)(iii)	5,925,232	5,925,232
Retained earnings	15(b)	5,610,014	3,497,095
Statutory reserves	15(c)	2,509,635	1,604,098
Statutory credit risk reserve		-	-
Fair value reserve	15(d)	556,530	41,785
Total equity		16,726,855	13,193,654
Total liabilities and equities		72,867,307	69,291,882

The audited financial statements were approved by the Board of Directors on 18 March 2020 and signed on its behalf by:

Charles Adeyemi Candide-Johnson (SAN, FCIArb)
Chairman
FRC/2017/NBA/00000016108

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

Additionally certified by:

Ifiok Ikpa
Financial Controller
FRC/2013/ICAN/00000000811

The notes on pages 22 to 61 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

In thousands of Naira	**Note**	**31 December 2019**	**31 December 2018**
Gross earnings		9,618,090	7,086,251
Interest income	16	9,610,997	7,079,510
Interest expense	17	(4,198,011)	(3,177,341)
Net interest income		5,412,986	3,902,169
Other income	18	7,093	6,741
Total income		5,420,079	3,908,910
(Impairment)/write back for loans and advances	8(a)	(127,118)	25,884
Impairment of other receivables	12	-	(2,500)
(Impairment)/write back of investment securities:			
- FVOCI	15(d)	(3,200)	2,407
- amortized cost	9(a)(i)	(3,397)	(15,021)
Impairment of placements with banks	7(a)	(7,350)	(3,789)
Personnel expenses	19	(901,201)	(753,486)
Depreciation & amortization	10,11	(172,413)	(177,083)
Other operating expenses	20	(1,108,027)	(1,049,826)
Profit before income tax		3,097,373	1,935,496
Income tax expense	21(a)	(30,818)	(19,163)
Minimum tax	21(a)	(48,099)	(75,224)
Profit for the year		3,018,456	1,841,109
Items that are or may be reclassified to profit or loss			
- *Changes in fair values of FVOCI debt instruments*	15(d)	511,545	(89,698)
- *Impairment loss/(write back)*	15(d)	3,200	(2,407)
Other comprehensive income, net of income tax		514,745	(92,105)
Total comprehensive profit for the year		3,533,201	1,749,004
Profit attributable to:			
Equity holders of the Company		3,018,456	1,841,109
Profit for the year		3,018,456	1,841,109
Total comprehensive profit attributable to:			
Equity holders of the Company		3,533,201	1,749,004
Total comprehensive profit for the year		3,533,201	1,749,004
Earnings per share (Basic and diluted) - kobo	22	142 k	93 k

The notes on pages 22 to 61 are an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

In thousands of Naira	Share capital	Share premium	Statutory Credit Risk Reserve	Retained earnings/ (loss)	Statutory reserves	Fair value reserves	Total
Balance at 1 January 2019	2,125,444	5,925,232	-	3,497,095	1,604,098	41,785	13,193,654
Profit for the year	-	-	-	3,018,456	-	-	3,018,456
Statutory credit risk reserve	-	-	-	-			
Transfer to statutory reserve	-	-	-	(905,537)	905,537	-	-
Other comprehensive income for the year	-	-	-	-	-	511,545	511,545
Net impairment loss/(write back)	-	-	-	-	-	3,200	3,200
Total comprehensive income	-	-	-	2,112,919	905,537	514,745	3,533,201
Transactions with owners of the Company recognised directly in equity:							
Bonus dividend shares issued during the year	-	-	-	-	-	-	-
Balance at 31 December 2019	**2,125,444**	**5,925,232**	-	**5,610,014**	**2,509,635**	**556,530**	**16,726,855**

In thousands of Naira	Share capital	Share premium	Statutory credit risk reserve	Retained earnings/ (loss)	Statutory reserves	Fair value reserves	Total
Balance at 1 January 2018	1,912,900	5,925,232	41,553	2,650,750	1,105,830	96,779	11,733,044
Adjustment on initial application of IFRS 9	-	-	(41,553)	(229,887)	(54,065)	37,111	(288,394)
	1,912,900	5,925,232	-	2,420,863	1,051,765	133,890	11,444,650
Profit for the year	-	-	-	1,841,109	-	-	1,841,109
Statutory credit risk reserve	-	-	-	-			
Transfer to statutory reserve	-	-	-	(552,333)	552,333	-	-
Other comprehensive income for the year	-	-	-	-	-	(89,698)	(89,698)
Net impairment loss/(write back)						(2,407)	(2,407)
Total comprehensive income	-	-	-	1,288,776	552,333	(92,105)	1,749,004
Transactions with owners of the Company recognised directly in equity:							
Bonus dividend shares issued during the year	212,544	-	-	(212,544)	-	-	-
Balance at 31 December 2018	**2,125,444**	**5,925,232**	-	**3,497,095**	**1,604,098**	**41,785**	**13,193,654**

The notes on pages 22 to 61 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2019

In thousands of Naira	Note	31 December 2019	31 December 2018
Cash flows from operating activities			
Profit for the year		3,018,456	1,841,109
Tax expense	21(a)	78,917	94,387
Profit before tax		3,097,373	1,935,496
Adjustments for:			
Interest income	16	(9,610,997)	(7,079,510)
Interest expense	17	4,198,011	3,177,341
Depreciation and amortization	10,11	172,413	177,083
Loss on disposal of Property and Equipment	27(g)	2,549	9,191
Impairment loss/(writeback) on mortgage refinance loans	8(a)	127,118	(25,884)
Impairment loss on other receivables	12	-	2,500
Impairment loss on investment securities at amortized cost	9(a)(i)	3,397	15,021
Impairment loss/(writeback) on investment securities at FVOCI	15(d)	3,200	(2,407)
Impairment loss on placement with banks	7	7,350	3,789
		(1,999,586)	(1,787,380)
Changes in:			
Mortgage refinance loans	27(a)	(1,553,408)	(8,887,457)
Placements with banks	27(b)	(547,389)	(870,798)
Other assets	27(c)	(21,213)	124,974
Other liabilities	27(d)	536,206	93,255
		(3,585,390)	(11,327,406)
Interest received	27(e)	9,789,250	7,691,264
Tax paid	21(b)	(94,172)	(19,460)
Net cash flows from operating activities		6,109,688	(3,655,601)
Cash flows from investing activities			
Net (purchase)/sale of financial investment	9(b)	(1,028,888)	(14,214,542)
Acquisition of property and equipment	10	(131,702)	(378,728)
Acquisition of intangible assets	11	-	(31,090)
Proceeds from disposal of property and equipment	27(g)	609	358
Net cash flows used in investing activities		(1,159,981)	(14,624,002)
Cash flows from financing activities			
Interest paid on debt securities issued	27(f)	(2,568,630)	(2,004,487)
Interest paid on borrowings	27(f)	(1,589,091)	(1,293,050)
Repayment of debt security issued	27(f)	(519,017)	(357,172)
Proceeds from borrowings & debt securities issued	27(f)	-	25,599,840
Net cash flows from financing activities		(4,676,738)	21,945,133
Net increase in cash and cash equivalents		272,969	3,665,529
Cash and cash equivalents, beginning of year	6	5,586,311	1,920,782
Cash and cash equivalents, end of year	6	5,859,280	5,586,311

The notes on pages 22 to 61 are an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2019

1 Reporting entity

Nigeria Mortgage Refinance Company Plc ("the Company") is a public liability company incorporated in Nigeria on 24 June, 2013 under the Companies and Allied Matters Act (CAMA). The address of the Company's corporate office is 18 Missisipi Street, 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 on a going concern basis as management expects to continue to carry out operations in the foreseeable future. The financial statements have also been prepared in accordance with International Financial Reporting Standards Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, the Mortgage Refinance Company Regulatory and Supervisory Framework, 2013, and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The financial statements were authorised for issue by the Board of Directors on 18 March, 2020.

(b) These financial statements are prepared on the historical cost basis except for:-
- financial assets measured at fair value through other comprehensive income (FVOCI)

(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 thousand.

(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(e).

3 Significant accounting policies

Except for the changes explained in Note 3.9 below, the Company has consistently applied the following accounting policies to all periods presented in these financial statements.

3.1 Non-derivative Financial Instruments

(a) *Initial recognition*

(i) *Recognition*

All financial instruments are initially recognized at fair value, which includes directly attributable transaction costs.

(ii) *Classification*

Financial assets

On initial recognition, a financial asset is classified as measured at; amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL;

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans);

Non-recourse loans
Loans made by the Company that are secured by collateral of the borrower may limit the Company's claim to cash flows of the underlying collateral (non-recourse loans). The Company applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Company typically considers the following information when making this judgement:

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the
- the Company's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Company will benefit from any upside from the underlying assets.

(iii) *Reclassifications*
Reclassification of financial assets is permitted only in rare circumstances and is required if the objective of the business model in which the financial assets are held changes after initial recognition, and if the change is significant to the Company's operations.

(b) *Subsequent measurement*
Subsequent to initial measurement, financial instruments are measured either at fair value (with changes directly recorded in equity) or amortised cost, depending on their classification:

(i) *Financial assets at amortized cost*
Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments. These include Cash and cash equivalents, Mortgage Refinance loans, Staff loans, other receivables, treasury bills and a portfolio of investments in bonds.

The carrying amounts of these assets 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.

(ii) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, fixed placements and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are recorded in accordance with the accounting principles of assets at amortized cost.

(iii) *Financial assets at fair value through other comprehensive income (FVOCI)*

FVOCI financial assets are non-derivative financial assets. The Company's investments in a portfolio of bonds, treasury bills and equity instruments are classified as FVOCI financial assets.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented within equity in the fair value reserve.

No allowance account is created for FVOCI financial assets as expected credit losses are recognized in the fair value reserves.

When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transfered to profit or loss except for those gains or losses on equity instruments.

(iv) *Other financial liabilities*

Other financial liabilities are measured at amortised cost subsequent to initial recognition. The Company's borrowings and debt securities and other liabilities are included in this category.

(c) *Impairment of financial assets*

The Company recognises loss allowances for expected credit losses (ECL) on financial assets that are debt instruments and that are not measured at fair value through profit or loss (FVTPL).

No impairment loss is recognised on equity investments

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see (e)) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Inputs into ECL measurement

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed in Note 4(a)(v) under the heading 'Generating the term structure of PD'.

Loss Given Default (LGD) is the measure of the proportion of the outstanding balance that the Company stands to lose in the event of a default. The LGD as a percentage of EAD is then a combination of the losses associated with the debt instrument. Multi-year LGD is a collection of LGD values referring to different time periods over the lifetime of a financial asset. The LGD model considers the collateral value and class, unsecured recovery rate, collateral hair cut, recovery costs and time to recovery of any collateral that is integral to the financial asset. For loans secured by real estate property, loan to value (LTV) ratios are a key parameter in determining LGD.

Exposure at Default (EAD) is the measure of the expected outstanding balance on a facility at a given time of default. Multi-year EAD is a collection of the monthly EAD values referring to different time periods over the lifetime of a financial asset. The outstanding balance on financial assets at every time period depends primarily on the nature of its cash flows. All financial assets in the scope of IFRS 9 can be classified into assets with deterministic cash flows and assets with stochastic cash flows. However, all assets with the Company possess deterministic cash flows, therefore they can be modelled based on their repayment types in the following categories:

- Bullet repayment
- Annuity repayment
- Linear repayment
- Unstructured repayment

However, the loans and advances of the Company are computed on an annuity repayment basis.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

(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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

(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 and 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the the Company. Ongoing repairs and maintenance are expensed as incurred.

(b) Depreciation

Depreciation is charged on a straight line basis, at the following annual rates that are designated 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	33.33%
Motor vehicle	25%
Leasehold improvement	25%
Building	2%
Land	0%

(c) Derecognition

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

3.3 Intangible assets

Software

Software acquired by the Company is measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is four years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Upon disposal of any item of software or when no future economic benefits are expected to flow from its use, such items are derecognized from the books. Gains and losses on disposal of intangible assets are determined by comparing proceeds with their carrying amounts and are recognized in profit or loss in the year of de-recognition.

3.4 Interest income and expense

For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. 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 profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on available-for-sale investment securities calculated on an effective interest basis.

3.5 Other liabilities

The Company recognises and measures other liabilities at amortized cost.

3.6 Share capital

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

3.7 Earnings per share

The Company presents basic and diluted earnings 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 year. 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.

3.8 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.

3.9 Changes in accounting policies

The Company has initially adopted IFRS 16 (see A) from 1 January 2019.

A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

A IFRS 16- Leases

Definition of a lease

The Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease as stated in I below. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Policy Applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.
The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The adoption of IFRS 16 did not have an impact on the Company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

3.10 Employee benefits/Personnel expenses

(a) Short-term benefits

Short-term employee benefit obligations include wages, salaries and other benefits which the Company has a present obligation to pay, as a result of employees' services provided up to the reporting date. Short term obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay the amount as a result of past servce provided by the employee, and the obligation can be estimated reliably.

(b) Post employment benefits

The Company operates a defined contributory pension scheme in line with the provisions of the Pension Reform Act 2014, with contributions based on the sum of employees' basic salary, housing and transport allowances in the ratio of 8% by the employee and 10% by the employer.
The contributions of 10% by the Company is recognised in the profit or loss in the period to which they relate, while Employees' contributions are funded through payroll deductions.

(c) Accounting for employee benefits/personnel expenses

All expenses are either accounted for on an accrual basis, or paid for as incurred.

3.11 Taxation

Income tax expense represents the sum of the tax charge for the period and deferred tax movement.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.
Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred income tax is provided in full using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.
Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of any asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor the taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor the taxable profit ; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognised deferred income tax assets are reassessed at each balance date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

The principal temporary differences arise from depreciation on property and equipment and tax losses carried forward.

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

3.12 New standards and interpretations not yet adopted

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. Those Standards, Amendments to Standards, and Interpretations which may be relevant to the Company) are set out below. The Company do not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated:

Pronouncement	Details	Effective Date
Amendments to references to conceptual framework in the IFRS Standards	The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes: • A new chapter on measurement; • Guidance on reporting financial performance; • Improved definitions of an asset and a liability, and guidance supporting these definitions; and • Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. The standard is effective for annual periods beginning on or after 1 January 2020, with early adoption permitted under IFRS. Based on an initial assessment, management does not foresee a significant impact coming from this new standard.	Effective for periods beginning on or after 1 January 2020
Amendments to IAS 1 and IAS 8	The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality. Based on an initial assessment, management does not foresee a significant impact coming from this new standard.	Effective for periods beginning on or after 1 January 2020

Other standards

The following amended standards are not expected to have a significant impact on the Company's financial

- *Definition of a Business (Amendments to IFRS 3).*
- *IFRS 17 Insurance Contracts.*

4 Financial risk management

(a) Credit risk

Credit risk is defined as the potential for financial loss resulting from the failure of a borrower or counterparty to fulfil its financial or contractual obligations. Credit risk within the NMRC arises from Purchase with Recourse (PWR) business, investments and treasury/trading activities. The primary objective of credit risk management is to proactively manage risk and credit limits to ensure that all exposures to credit risks are kept within parameters approved by the Board to mitigate and withstand any potential losses. Investment activities are guided by internal credit policies and guidelines that are approved by the Board. Specific procedures for managing credit risks are determined at business levels based on risk environment and business goals. The Company's major exposure to credit risk emanates from its cash and cash equivalents, placements with banks, mortgage refinance loans, collateral on mortgage refinance loans, investment securities and other receivables.

(i) Exposure to credit risk

In thousands of Naira	Note	31 December 2019	31 December 2018
Cash and cash equivalents	6	5,859,280	5,586,311
Placements with banks	7	1,494,950	919,133
Mortgage refinance loans	8	18,339,488	17,024,218
Investment securities	9	46,509,890	45,033,440
Other financial assets	12	56,099	31,142

Collateral

In thousands of Naira	31 December 2019	31 December 2018
Total loan exposure (gross)	18,339,488	17,024,218
Secured against real estate	18,339,488	17,024,218
Unsecured loan	-	-

The cash and cash equivalents are held with the commercial banks and mortgage banks in Nigeria. The mortgage refinance loans are with the participating banks and the investment-securities are from the Federal Government of Nigeria.

(ii) Management of credit risk

The Board has delegated responsibility for the oversight of credit risk to its Board Credit Committee. The Board Credit Committee is responsible for managing the Company's credit risk, including the following:-

- Formulating credit policies in consultation with the Company's credit and risk department, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval of refinance loans. Authorisation limits are allocated to the Management Credit Committee, the Board Credit Committee or the full Board of Directors, as appropriate.
- Reviewing and assessing all credit exposures in excess of designated limits (as prescribed by the Mortgage Refinance Company Regulatory framework), and limiting concentrations of exposure to counterparties.

(iii) Credit risk on mortgage refinance loans

The Company is exposed to credit risk on it mortgage refinance loans. To mitigate the credit risk the Company enters into contractual arrangements with the participating mortgage banks, which typically contain the following structure:

- Under the arrangement, the participating mortgage bank is required to make agreed periodic minimum payments to the Company. These minimum payments need to be paid from proceeds that the participating mortgage banks receive on the refinanced portfolio from their clients and consist of the agreed interest between the Company and the participating mortgage banks and the (early) repayments the participating mortgage banks receive from their clients.
- If the proceeds from the clients of the participating mortgage bank on the refinanced portfolio are not sufficient to pay the agreed minimum payments, due to default or any other reason, the participating mortgage bank are required to pay the shortfall from their other available assets.
- In case the participating mortgage banks cannot or do not pay the agreed minimum payments, the Company is allowed to obtain the amounts due by, amongst others, executing the collateral as held by trustees or seize in another manner (cash) assets of the relevant participating mortgage bank.

The credit risk department monitors the Company's loan portfolio and ensures that participating mortgage banks comply with the requirements of the Refinancing Agreement and other supplementary contracts.

(iv) Collateral held and other credit enhancements

Collateral on all refinanced loans are held in trust. Participating mortgage banks have to ensure that the refinanced loan portfolio contains only performing loans backed by sufficient collateral. In the event that a default occurs, the Company retains the right to take ownership of the underlying collateral, or re-assign part or all of the loan facility to another mortgage bank.
The quality of collateral held is periodically reviewed by the Company.

(v) Credit qualtiy analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. There were no POCI assets during the year
Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 3.1(c).

	31 Dec 2019				31 Dec 2018			
In thousands of Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to commercial banks at amortized cost								
Low - fair risk	12,020,118	1,245,441	-	**13,265,559**	11,619,303	1,284,408	-	**12,903,711**
Higher risk	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Lost	-	-	-	-	-	-	-	-
	12,020,118	1,245,441	-	**13,265,559**	11,619,303	1,284,408	-	**12,903,711**
Loss allowance	(65,656)	(77,325)	-	**(142,981)**	(29,859)	(57,843)	-	**(87,702)**
Carrying amount	11,954,462	1,168,116	-	**13,122,578**	11,589,444	1,226,565	-	**12,816,009**

	31 Dec 2019				31 Dec 2018			
In thousands of Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to mortgage banks at amortized cost								
Low - fair risk	5,374,672	-	-	**5,374,672**	4,294,135	-	-	4,294,135
Higher risk	-	-	-	-	-	5,668	-	5,668
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Lost	-	-	-	-	-	-	-	-
	5,374,672	-	-	**5,374,672**	4,294,135	5,668	-	4,299,803
Loss allowance	(157,765)	-	-	(157,765)	(85,926)	-	-	(85,926)
Carrying amount	**5,216,907**	-	-	5,216,907	**4,208,209**	**5,668**	-	**4,213,877**

	31 Dec 2019				31 Dec 2018			
In thousands of Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized								
Low - fair risk	42,644,284	-	-	**42,644,284**	39,300,602	-	-	**39,300,602**
Higher risk	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Lost	-	-	-	-	-	-	-	-
	42,644,284	-	-	**42,644,284**	39,300,602	-	-	**39,300,602**
Loss allowance	(14,144)	-	-	**(14,144)**	(33,149)	-	-	**(33,149)**
Carrying amount	**42,630,140**	-	-	**42,630,140**	**39,267,453**	-	-	**39,267,453**

	31 Dec 2019				31 Dec 2018			
In thousands of Naira	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI								
Low - fair risk	5,360,556	-	-	**5,360,556**	6,641,971	-	-	6,641,971
Higher risk	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Lost	-	-	-	-	-	-	-	-
	5,360,556	-	-	**5,360,556**	**6,641,971**	-	-	**6,641,971**
Loss allowance	(3,200)	-	-	**(3,200)**	**(4,700)**	-	-	**(4,700)**
Carrying amount	**5,357,356**	-	-	**5,357,356**	**6,637,271**	-	-	**6,637,271**

In thousands of Naira	31 Dec 2019 Life time ECL not credit impaired	Credit impaired	Total	31 Dec 2018 Life time ECL not credit impaired	Credit impaired	Total
Other financial assets						
Low - fair risk	56,099	2,500	**58,599**	31,142	2,500	**33,642**
Higher risk	-	-	-	-	-	-
Credit impaired	-	-	-	-	-	-
	56,099	2,500	**58,599**	31,142	2,500	**33,642**
Loss allowance	-	-	-	-	-	-
Carrying amount	**56,099**	**2,500**	**58,599**	**31,142**	**2,500**	**33,642**

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

For inputs, assumptions and techniques used for estimating impairment, see Note 3.1(c).

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses four criteria for determining whether there has been a significant increase in credit risk:

- movement in PD based on internal and external rating parameters;

The Company monitors changes in internal and external ratings of obligors to assess significant increase/decrease in credit risk. Evidence of SICR depends on rating at initial recognition and the extent of movement (number of notches downgrade/upgrade) as at reporting date.

The Company applies different notches movement across each rating grade as evidence of SICR. Generally, obligors with higher credit rating would require more notches downgrade to evidence SICR, when compared with obligors with lower credit rating. The logic is that PD exponentially increases with movement down the rating grades. For instance, while a one-notch movement is deemed significant for a loan rated "High Risk" at origination, a two-notch movement is deemed significant for a "Moderate Risk" rated loan. In addition, while a one-notch movement is deemed significant for a loan rated CCC at origination, a three-notch movement is deemed significant for an AAA rated loan.

- probationary period;

The Company monitors changes in the 'significant increase in credit risk' of its financial instruments during their transition from one stage to another.

The changes in the allocated stage of the assets will only be applied after the following requirements are met. That:

• Where there is evidence that there is significant reduction in credit risk, the Company would continue to monitor such financial instruments for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1).

• In addition to the 90 days probationary period above, the Company will observe a probationary period of 90 days to upgrade from Stage 3 to 2.

- qualitative indicators;

The Company uses a wide range of qualitative criteria for staging purposes, leveraging on IFRS 9 recommendations and a range of other factors.

The Company overrides the stage allocation using quantitative assessment if the financial asset(s) meets a specific qualitative criteria for different impairment stages.

- a backstop of 30 days past due

The Company uses the backstop indicator otherwise known as "30 days past due presumption" to assess significant decrease/increase in credit risk in all its loans. Evidence of Significant Increase in Credit Risk (SICR) depends on the loan performance status and the number of days for which contractual payments are past due.

A credit facility is deemed non-performing when interest or principal is due and unpaid for 90 days or more.

Generating the term structure of PD

Probability of Default is a measure of the likelihood that the borrower of a loan will move from a performing status to a non – performing status over a given time horizon.

A loan is non – performing when interest or principal is due and unpaid for 90 days or more, or when such interest have been capitalized, rescheduled or rolled over into a new loan. Multi-year PDs are a collection of monthly PD values referring to different time periods over the lifetime of a financial asset.

In the absence of historic data, the Company has resorted to the use of external mapping approach in deriving its PD. Deriving PDs for the Company's obligors using the external mapping approach involves obtaining an external rating scale with assigned PDs for each rating grade, mapping the obligors to external rating grades and using the annual PDs assigned to the rating grade for the obligor.

The External Mapping Approach is used in estimating the marginal, monthly PD's for loans and advances for obligors. The rating from external rating agencies are mapped to the associated PD from Standard & Poor (S & P's) Annual Global Corporate Average Cumulative Probability of Default. The annual PD is then converted to the Marginal Monthly PD.

This mapping is done using the National (Nigeria) Mapping Table published by S & P. The table below indicates the relationship that exists between the National and International local currency ratings. It shows the median international rating that had been assigned to each Nigerian national scale rating. Below is the table showing the mapping of Nigeria national rating scale to S & P Global. The external benchmark input into measurement of ECL are as follows:

Augusto Rating Scale	National-scale long-term rating	National-scale short-term rating	Implied Global-scale long-term local-currency rating	Adjusted Global-scale long-term local-currency rating
AAA	ngAAA	ngA-1	BB+ and above	B
AA+	ngAA+	ngA-1	BB	B
AA	ngAA, ngAA-	ngA-1	BB	B
AA-	ngAA, ngAA-	ngA-1, ngA-2	BB-	B
A+	ngA+, ngA, ngA-	ngA-1, ngA-2	B+	B
A	ngA+, ngA, ngA-	ngA-1, ngA-2	B+	B
*A-	ngA+, ngA, ngA-	ngA-1, ngA-2	B+	B
BBB+	ngBBB+, ngBBB, ngBBB	ngA-2, ngA-3	B	B-
BBB	ngBBB+, ngBBB, ngBBB	ngA-2, ngA-3	B	B-
BBB-	ngBBB+, ngBBB, ngBBB	ngA-2, ngA-3	B	B-
BB+	ngBB+, ngBB	ngB	B-	B-
BB	ngBB+, ngBB	ngB	B-	B-
BB-	ngBB-, ngB+	ngB	B-	B-
B+	ngBB-, ngB+	ngB	CCC+	CCC+
B	ngB, ngB-, ngCCC+	ngC	CCC+	CCC+
B-	ngB, ngB-, ngCCC+	ngC	CCC+	CCC+
CCC/C	ngCCC, ngCCC-	ngC	CCC-	CCC-
N/A	ngCC	ngC	CC	CC
N/A	NgC	ngC	C	C
N/A	R**	R**	R**	R**
N/A	SD***	SD***	SD***	SD***
N/A	D****	D****	D****	D****

Incorporation of forward-looking information (FLI)

The Company incorporates forward-looking information into the measurement of ECL.

The Company formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 25% probability of occurring. The base case is aligned with information used by the Company for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the country where the Company operates and selected private-sector and academic forecasters.

The Company has opted to use the variable scalar approach in a top-down manner for the purpose of incorporating FLI into Multi-year ECL Estimation. The top-down approach entails adjusting the ECL for FLI rather than adjusting the components of ECL (EAD, LGD, and PD).

The purpose of the variable scalar is to provide an objective way to adjust the base case ECL term structure to reflect the relevant macroeconomic forecasts for each year. In determining the variable scalar, the Company:

1. Identifies the relevant macroeconomic variables affecting the ECL.

2. Obtains historical data on the Non-Performing Loan (NPL) ratio and the macroeconomic variables identified. Where there are more than 3 variables identified, obtain historical data for the 3 most significant variables.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are: GDP growth, inflation rates and exchange rates.

The economic scenarios used as at 31 December 2019 included the following key indicators for Nigeria for the years ended 31 December 2019 and 2018.

	2019	2018
Inflation rate	Base 12%	Base 14%
	Range between 13 and 15%	Range between 13 and 17%
Exchange rate	Base N365/$1	Base N364/$1
	Range between N360 and N375	Range between N360 and N375
GDP growth	Base 2%	Base 2%
	Range between 2 and 5%	Range between 2 and 5%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention, prepayments and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.1(f).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

– its remaining lifetime PD at the reporting date based on the modified terms; with
– the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.
When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Company may renegotiate loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets modified as a result of renegotiation, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, renegotiation/forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

The following table provides information on financial assets that were modified while they had a loss allowance measured at 12 months ECL.

In thousands of Naira	31 Dec 2019	31 Dec 2018
Financial assets modified during the year		
Amortized cost of loans and advances before modificatio	1,918,908	3,202,755
Net modification (gain)/loss	(9,646)	115,769

(b) Currency risk

The Company is minimally exposed to the financial risk related to the fluctuation of foreign exchange rates. This is so because all transactions are based in Naira. A significant change in the exchange rates between the Naira (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.

(c) Market and liquidity risk

Market risk is defined as potential loss arising from movements of market prices and rates. NMRC's market risk exposure is limited to interest rate risk on its financial assets, particularly investments in Federal Government bonds and treasury bills. Liquidity risk arises when the NMRC does not have sufficient funds to meet its financial obligations when they fall due. The Company manages market and liquidity risks by imposing threshold limits which are approved by management within the parameters approved by the Board based on a risk-return relationship. It also adheres to a strict match-funding policy where all asset purchases are funded by bonds of closely matched size and duration, and are self-sufficient in terms of cash flow.

A forward looking liquidity mechanism is in place to promote efficient and effective cash flow management while avoiding excessive concentrations of funding in any one financial institution. Most of the Company's funds are tied up in investment securities issued by the Federal Government of Nigeria and money market placements with commercial banks, however the Company monitors every business transaction relating to its investments to ensure that available funds are sufficient to meet its business requirements at all times. Reserve liquidity, which comprises marketable debt securities, are also set aside to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

Interest rate risk

Interest rate risk arises from the possibility of a change in the value of assets and liabilities in response to changes in market intrest rates. Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no financial instruments linked to variable interests, the risk that the Company will realise a loss as a result of any change in the fair value of financial assets or liabilities is thus immaterial. The Company has not entered into any derivative financial instrument to manage this risk.

Interest rate profile

At the end of the reporting period, the interest rate profile of the Company's interest bearing financial instruments as reported to the Management of the Company are as follows:

In thousands of Naira	Note	31 December 2019	31 December 2018
Financial assets			
Cash and cash equivalents	6	5,859,280	5,586,311
Placements with banks	7	1,494,950	919,133
Mortgage refinance loans	8	18,339,488	17,024,218
Investment securities	9	46,509,890	45,033,440
		72,203,608	68,563,102
Financial liabilities			
Debt securities issued	13(a)	17,264,522	17,743,249
Borrowings	13(b)	37,598,419	37,598,419
		54,862,941	55,341,668

Fair value sensitivity analysis for fixed rate instruments

The table below shows the impact on the Company's profit before tax if interest rates on financial instruments had increased or decreased by 100 basis points, with all other variables held constant. This is equal to the impact on equity as there is no tax applicable given the situation that the Company is in a taxable loss position.

In thousands of Naira	31 December 2019	31 December 2018
Increase in interest rate by 100 basis points (+1%)	173,407	132,214
Decrease in interest rate by 100 basis point (-1%)	(173,407)	(132,214)

Fair value sensitivity analysis for FVOCI financial assets.

The table below shows the impact on the Company's other comprehensive income if interest rates on FVOCI securities had increased or decreased by 100 basis points, with all other variables held constant.

In thousands of Naira	31 December 2019	31 December 2018
Increase in interest rate by 100 basis points (+1%)	53,606	66,520
Decrease in interest rate by 100 basis point (-1%)	(53,606)	(66,520)

The contractual maturity profiles of financial instruments at the reporting periods were as follows:

31 December 2019

In thousands of Naira	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	6 months	12 months	5 years	More than 5 years
Non-derivative assets								
Cash and cash equivalents	6	5,859,280	5,859,280	5,859,280	-	-	-	-
Placements with banks	7	1,494,950	1,551,606	-	1,551,606	-	-	-
Mortgage refinance loans	8	18,339,488	40,732,059	860,318	861,549	1,723,098	13,781,136	23,505,958
Investments securities	9	46,509,890	86,366,296	13,307,141	379,472	7,631,902	17,346,500	47,701,281
Other financial assets	12	56,099	56,099	56,099	-	-	-	-
Total financial assets		72,259,706	134,565,340	20,082,838	2,792,627	9,355,000	31,127,636	71,207,239
Non-derivative liabilities								
Debt securities	13(a)	17,264,522	37,732,970	771,912	771,912	1,543,823	12,350,587	22,294,735
Borrowings	13(b)	37,598,419	72,369,963	-	792,369	801,076	6,360,717	64,415,801
Other financial liabilities	14	285,595	285,595	285,595	-	-	-	-
Total financial liabilities		55,148,536	110,388,528	1,057,507	1,564,281	2,344,899	18,711,304	86,710,536
Gap -assets/(liabilities)		17,111,171	24,176,812	19,025,331	1,228,346	7,010,101	12,416,332	(15,503,297)
Cumulative liquidity gap		-	-	19,025,331	20,253,677	27,263,778	39,680,110	24,176,813

31 December 2018

In thousands of Naira	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	6 months	12 months	5 years	More than 5 years
Non-derivative assets								
Cash and cash equivalents	6	5,586,311	5,586,311	5,586,311	-	-	-	-
Placements with banks	7	919,133	919,133	-	919,133	-	-	-
Mortgage refinance loans	8	17,024,218	38,051,565	742,247	744,261	1,488,522	11,908,175	23,168,361
Investments securities	9	45,033,440	81,146,570	7,748,710	3,555,042	11,288,068	18,939,600	39,615,150
Other financial assets	12	31,142	31,142	31,142	-	-	-	-
Total risk asset		68,594,244	125,734,721	14,108,410	5,218,436	12,776,590	30,847,775	62,783,511
Non-derivative liabilities								
Debt securities	13(a)	17,743,249	40,820,616	771,912	771,912	1,543,823	12,350,587	25,382,382
Borrowings	13(b)	37,598,419	73,959,053	-	788,015	801,076	6,360,717	66,009,246
Other financial liabilities	14	76,005	76,005	76,005	-	-	-	-
Total risk liabilities		55,417,673	114,855,675	847,917	1,559,927	2,344,899	18,711,304	91,391,628
Gap -assets/(liabilities)		13,176,571	10,879,046	13,260,493	3,658,510	10,431,690	12,136,470	(28,608,117)
Cumulative liquidity gap		-	-	13,260,493	16,919,003	27,350,693	39,487,163	10,879,046

(d) 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 gains/losses or as otherwise defined by the Central Bank of Nigeria for licensed financial institutions.

(ii) Tier 2 capital, which includes other comprehensive income items. Tier 2 capital as defined by the Central Bank of Nigeria also includes subordinated debts and hybrid capital instruments.

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 and Federal Government securities
- 100% for all on-balance sheet exposures

The table below shows the break-down of the Company's regulatory capital for the year ended 31 December 2019. The capital adequacy ratio has been computed in line with Basel II rule.

Capital Adequacy Computation

In thousands of Naira			31 December 2019	31 December 2018
Tier 1 Capital				
Share capital			2,125,444	2,125,444
Share premium			5,925,232	5,925,232
Retained earnings			5,610,014	3,497,096
Statutory reserves			2,509,635	1,604,098
IFRS 9 transitional adjustment			-	-
Statutory credit risk reserve applied for IFRS 9 impact			-	(41,553)
Total qualifying Tier 1 capital			16,170,325	13,110,316
Less:				
Intangible assets			(22,535)	(40,620)
Adjusted total qualifying Tier 1 capital			**16,147,790**	**13,069,696**
Tier 2 Capital				
Subordinated term debt			17,264,522	17,743,249
Other Comprehensive Income			556,530	41,785
Total qualifying Tier 2 capital			17,821,052	17,785,034
Adjusted total qualifying Tier 2 capital (limited to 33.33% of total Tier 1 capital)			**5,382,597**	**4,356,565**
Investment in the capital of banking and financial institutions			(10,000)	(10,000)
Total Regulatory Capital	-	-	**21,520,386**	**17,416,262**

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Risk weighted assets

Risk-weighted amount for credit risk	22,351,047	19,257,321
Risk-weighted amount for operational risk	8,302,837	6,824,606
Risk-weighted amount for Market risk	-	-
Total weighted risk assets	**30,653,884**	**26,081,927**
Capital Adequacy Ratio (CAR)	**70%**	**67%**

The Company's capital adequacy ratio was 70% as at 31 December 2019 (31 December 2018: 67%) which was above CBN capital adequacy requirements of 10%.

(e) 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.

Key sources of judgments

(i) *Classification of financial assets*

IFRS 9 requires that financial assets are classified as assets carried at amortized cost, fair value through profit or loss and fair value through other comprehensive income.

Under IFRS 9, equity instruments are to be classified as fair value through profit or loss unless the entity makes an irrevocable election to carry the equity instruments at fair value through other comprehensive income.

The classification decision for non-equity financial assets under IFRS 9 is dependent on two key

- The business model within which the asset is held (the business model test), and
- The contractual cash flows of the asset (the SPPI test).

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding requires judgment by the Company.

(ii) *Determination of credit risk*

IFRS 9 replaces the existing incurred loss model required in IAS 39 with a forward-looking ECL model. The Company is required to consider historic, current and forward-looking information (including macro-economic data).

The Company must determine whether a financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

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Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL require significant judgment.

Key sources of estimation uncertainty

(i) *Determining expected credit losses (ECL)*

Measurement uncertainty reflects those assumptions that are incorporated into the estimation of ECL. The key elements of estimation uncertainty relate to the forwardlooking assumptions within the central macro-economic scenario together with how the impact of non-linearity has been reflected using multiple economic scenarios

Following the initial transition to IFRS 9, changes in expected credit loss provisions will be reported in the income statement within the impairment caption. The amounts reported may experience more volatility from period to period than that previously experienced under IAS 39 due to factors such as:

- Transfers to/from stage 1 and 2;
- Changes in portfolio mix, both in terms of clients and tenor of instruments offered;
- Changes in forward-looking macroeconomic variables.

In respect of the SICR thresholds, based on the portfolios as at 1 January 2018, the percentage of assets identified as stage 2 as well as the value of ECL for stage 2 was relatively insensitive to a change in thresholds.

A forecast macroeconomic downturn will have several impacts on ECL, including:

- Increasing PD, driving higher stage 1 and 2 ECL and potentially leading to a transfer of assets from stage 1 to stage 2.
- Changes in portfolio mix, both in terms of clients and tenor of instruments offered;
- Reducing collateral values will increase LGD.

This will particularly impact the ECL charge for long dated assets in stage 2. It is expected that the impact on ECL due to changing macro-economic environment will bring more volatility than the selection of the SICR thresholds.

(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 based on significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs 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 instrument being valued and the similar instrument.

(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. 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.

Income taxes also include the judgement on whether to recognise deferred tax assets. This is based on the assessment of if and when future taxable profits will be realized to utilise the tax losses carried forward.

(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.

5 Financial assets and liabilities

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

31 December 2019

In thousands of Naira	Notes	Amortised cost	FVOCI - Debt instruments	FVOCI - Equity instruments	Mandatorily at FVTPL	Designated as FVTPL	Fair Value	Total carrying amount
Cash and cash equivalents	6	5,859,280	-	-	-	-	5,859,280	5,859,280
Placements with banks	7	1,494,950	-	-	-	-	1,494,950	1,494,950
Mortgage refinance loans	8	18,339,488	-	-	-	-	18,339,488	18,339,488
Investment securities	9	41,149,334	5,360,556	-	-	-	46,509,890	46,509,890
Other financial assets	12	56,099	-	-	-	-	56,099	56,099
		66,899,151	5,360,556	-	-	-	72,259,706	72,259,706
Debt securities issued	13(a)	17,264,522	-	-	-	-	17,217,217	17,264,522
Borrowings	13(b)	37,598,419	-	-	-	-	37,598,419	37,598,419
Other financial liabilities	14	855,053	-	-	-	-	855,053	855,053
		55,717,993	-	-	-	-	55,670,689	55,717,994

31 December 2018

In thousands of Naira	Notes	Amortised cost	FVOCI - Debt instruments	FVOCI - Equity instruments	Mandatorily at FVTPL	Designated as FVTPL	Fair Value	Total carrying amount
Cash and cash equivalents	6	5,586,311	-	-	-	-	5,586,311	5,586,311
Placements with banks	7	919,133	-	-	-	-	919,133	919,133
Mortgage refinance loans	8	17,024,218	-	-	-	-	17,024,218	17,024,218
Investment securities	9	38,381,469	6,651,971	-	-	-	42,894,157	45,033,440
Other financial assets	12	31,142	-	-	-	-	31,142	31,142
		61,942,273	6,651,971	-	-	-	66,454,961	68,594,244
Debt securities issued	13(a)	17,743,249	-	-	-	-	17,217,217	17,743,249
Borrowings	13(b)	37,598,419	-	-	-	-	37,598,419	37,598,419
Other financial liabilities	14	76,005	-	-	-	-	76,005	76,005
		55,417,673	-	-	-	-	54,891,640	55,417,673

6 Cash and cash equivalents

In thousands of Naira	31 December 2019	31 December 2018
Balances with banks	134,690	71,755
Money market placements	5,724,590	5,514,556
Cash and cash equivalents	5,859,280	5,586,311

7 Placements with banks

In thousands of Naira	31 December 2019	31 December 2018
Placements with banks	1,498,303	894,930
Interest receivable on placements with banks	7,786	27,992
Impairment loss allowance (see note (a) below)	(11,139)	(3,789)
	1,494,950	919,133
Current	1,494,950	919,133
Non-current	-	-
	1,494,950	919,133

(a) Impairment loss allowance

In thousands of Naira	31 December 2019	31 December 2018
Balance, beginning of year	3,789	-
Impairment during the year	7,350	3,789
Balance, end of year	11,139	3,789

8 Mortgage refinance loans

In thousands of Naira	31 December 2019	31 December 2018
Loans and advances	18,640,234	17,197,846
IFRS 9 Impairment loss allowance (see note (a) below)	(300,746)	(173,628)
loans and advances at amortized cost	18,339,488	17,024,218
Current	3,427,117	3,081,157
Non-current	14,912,370	13,943,061
	18,339,488	17,024,218

(a) Impairment loss allowance

In thousands of Naira	31 December 2019	31 December 2018
Balance, beginning of year	173,628	40,741
Impairment adjusted through retained earnings on initial application of IFRS 9	-	158,771
Impairment/(Write back) during the year	127,118	(25,884)
Balance, end of year	300,746	173,628

(b) Nature of security in respect of mortgage refinance loans

In thousands of Naira	31 December 2019	31 December 2018
Secured against real estate	18,640,234	17,197,846
Unsecured	-	-
Balance, end of year	18,640,234	17,197,846

9 Investment securities

(a) Analysis of investments

In thousands of Naira	31 December 2019	31 December 2018
FVOCI investment securities:		
Federal Government of Nigeria Bonds	5,350,556	6,641,971
Treasury bills	-	-
Unquoted equity instrument	10,000	10,000
	5,360,556	6,651,971
Investment securities at amortised cost:		
Federal Government of Nigeria Bonds	29,740,078	23,933,008
Treasury bills	11,442,013	14,477,821
Impairment loss allowance (see note (i) below)	(32,757)	(29,360)
	41,149,334	38,381,469
	46,509,890	45,033,440

Included in these investments are securities held with respect to the Housing Market Development Fund liability (See note 13(a)(ii)).

Current

In thousands of Naira	31 December 2019	31 December 2018
FVOCI securities	1,609,697	-
Investment securities at amortised cost	11,442,013	14,477,821
	13,051,710	14,477,821

Non-current

In thousands of Naira	31 December 2019	31 December 2018
FVOCI securities	3,750,859	6,651,971
Investment securities at amortised cost	29,707,321	23,903,648
	33,458,180	30,555,619
	46,509,890	45,033,440

(i) Impairment loss allowance

In thousands of Naira	31 December 2019	31 December 2018
Balance, beginning of year	29,360	-
Impairment adjusted through retained earnings on initial application of IFRS 9	-	14,339
Impairment during the year	3,397	15,021
Balance, end of year	32,757	29,360

(b) Movement in investment securities

The movement in investment securities for the Company may be summarised as follows:

	2019		
	FVOCI instruments	**Instruments at amortised cost**	**Total**
At 1 January, 2019	6,651,971	38,381,469	45,033,440
Impairment loss	(3,200)	(3,397)	(6,596)
Interest income	882,141	5,375,783	6,257,923
Interest received	(822,541)	(5,492,769)	(6,315,310)
Net (sale)/purchase of investment	(1,859,360)	2,888,248	1,028,888
Gains from changes in fair value recognised in other comprehensive income (see note 15(d))	511,545	-	511,545
	5,360,556	41,149,334	46,509,890

	2018		
	FVOCI instruments	**Instruments at amortised cost**	**Total**
At 1 January, 2018	15,188,948	16,572,789	31,761,737
Adjustments on initial adoption of IFRS 9	(115,283)	(14,340)	(129,623)
Impairment loss	-	(15,021)	(15,021)
Interest income	858,924	3,904,520	4,763,444
Interest received	(2,540,917)	(2,931,023)	(5,471,941)
Net (sale)/purchase of investment	(6,650,003)	20,864,544	14,214,542
Gains from changes in fair value recognised in other comprehensive income (see note 15(d))	(89,698)	-	(89,698)
	6,651,971	38,381,469	45,033,440

10 Property and equipment

In thousands of Naira	Computer Equipment	Office Equipment	Leasehold Improvements	Furniture and Fittings	Motor Vehicle	Plant and Machinery	Building	Land	Work-in-progress	Total
Cost										
At 1 January 2019	260,658	20,188	86,899	81,378	85,198	28,183	39,000	276,000	-	877,503
Additions	30,815	-	-	-	76,867	-	-	-	24,020	131,702
Disposals	(8,150)	(177)	-	-	-	-	-	-	-	(8,327)
Reclassifications	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	283,323	20,011	86,899	81,378	162,065	28,183	39,000	276,000	24,020	1,000,879
At 1 January 2018	206,566	19,236	86,232	81,378	145,820	21,110	-	-	-	560,342
Additions	55,036	952	668	-	-	7,072	39,000	276,000	-	378,728
Disposals	(945)	-	-	-	(60,622)	-	-	-	-	(61,567)
Reclassifications	-	-	-	-	-	-	-	-	-	-
At 31 December 2018	260,658	20,188	86,899	81,378	85,198	28,183	39,000	276,000	-	877,503
Depreciation										
At 1 January 2019	142,111	13,987	43,982	48,046	72,532	10,993	124	-	-	331,776
Charge for the year	75,167	3,958	21,725	17,353	28,299	7,046	780	-	-	154,326
Disposals	(5,059)	(110)	-	-	-	-	-	-	-	(5,169)
At 31 December 2019	212,220	17,835	65,707	65,399	100,832	18,039	904	-	-	480,935
At 1 January 2018	66,683	9,584	22,313	30,473	90,046	5,459	-	-	-	224,558
Charge for the year	75,947	4,402	21,669	17,574	33,984	5,534	124	-	-	159,234
Disposals	(519)	-	-	-	(51,497)	-	-	-	-	(52,016)
At 31 December 2018	142,111	13,987	43,982	48,046	72,532	10,993	124	-	-	331,776
Net book value										
At 31 December 2019	71,103	2,176	21,193	15,979	61,233	10,143	38,096	276,000	24,020	519,944
At 31 December 2018	118,547	6,201	42,917	33,332	12,665	17,189	38,876	276,000	-	545,727

(i) The Company had no capital commitments and no assets pledged as security for borrowings as at 31 December 2019 (31 December 2018: Nil)

(ii) There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (31 December 2018:Nil)

11 Intangible assets

In thousands of naira	**Computer Software**
Cost	
At 1 January 2019	86,082
Additions	-
At 31 December 2019	86,082
At 1 January 2018	54,992
Additions	31,090
At 31 December 2018	86,082
Amortization	
At 1 January 2019	45,462
Charge for the year	18,085
At 31 December 2019	63,547
At 1 January 2018	27,613
Charge for the year	17,849
At 31 December 2018	45,462
Net book value	
At 31 December 2019	22,535
At 31 December 2018	40,620

(i) The Company had no commitments relating to the acquisition of intangible assets as at 31 December 2019 (31 December 2018: Nil)

(ii) There were no capitalized borrowing costs related to the acquisition of intangible assets during the year (31 December 2018: Nil)

12 Other assets

In thousands of Naira	**31 December 2019**	**31 December 2018**
Non financial assets:		
Prepaid rent	22,000	44,000
Prepaid staff benefits	5,905	20,611
Other prepaid expenses	2,000	4,908
WHT Receivable	35,217	41,772
	65,122	111,291
Financial assets:		
Staff loans and advances	25,910	8,858
Deposit for Shares	26,746	-
Receivable from DLM issuing house	-	15,000
Receivable from Eko Hotel	-	4,169
Other receivables	5,943	5,615
	58,599	33,642
Impairment on other assets	(2,500)	(2,500)
	56,099	31,142
	121,220	142,433
Current	121,220	140,688
Non-current	-	1,744
	121,220	142,433

13 (a) **Debt securities issued**

In thousands of Naira	31 December 2019	31 December 2018
Fixed rate debt security issued at amortized cost (see note (i) below)	17,264,522	17,743,249
	17,264,522	17,743,249
Current	4,074,112	3,859,559
Non-current	13,190,410	13,883,690
	17,264,522	17,743,249

(i) Debt securities issued represents N8,000,000,000 14.9% Series 1 Fixed Rate Bonds issued on 29 July, 2015 with a maturity date of 29 July, 2030 and N11,000,000,000 13.8% Series 2 Fixed Rate Bonds issued on 21 May, 2018 with a maturity date of 15 March, 2033. The issues, which are under the Company's N140 billion Medium Term Note Programme, were guaranteed by the Federal Government of Nigeria with interest and principal repayable on a quarterly basis. Principal and interest repayments commenced on 15 September 2015 and 15 June 2018, respectively.

(ii) The debt securities issued by the Company are backed by the unconditional guarantee of the Federal Government of Nigeria. According to the agreement between both parties, an annual fee of 10% of the Company's profit after tax is payable to the Federal government of Nigeria in relation to this guarantee to support the development of the Nigerian housing market, expectedly in the form of a Housing Market Development Fund. This Housing Market Development Fund is not yet established and the exact manner how to support the development of the Nigerian housing market is still open to further agreement in writing between the Company and the Federal Ministry of Finance. The payable amount as at the end of the financial year amounted to N858million (2018: N553million).

(b) **Borrowings**

In thousands of Naira	31 December 2019	31 December 2018
Borrowings from FGN (see note (i) below)	37,598,419	37,598,419
	37,598,419	37,598,419
Current	1,797,137	208,046
Non-current	35,801,282	37,390,373
	37,598,419	37,598,419

(i) Borrowings from FGN represents an International Development Agency (IDA) facility granted to the Federal Republic of Nigeria for the funding of the Housing Finance Programme. This was received by Nigeria Mortgage Refinance Company Plc through the Central Bank of Nigeria (CBN) in three tranches, the first was received on 27 June 2014, the second on 3 July 2015 and the third on 12 October 2018. The purpose of the loan is to establish a mortgage liquidity facility. The loan is tenured 40 years (maturity on 13 May, 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. There is a ten year moratorium on principal, while 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). The Company recognizes the loan at amortized cost.

14 Other liabilities

In thousands of Naira	31 December 2019	31 December 2018
Non-financial liabilities		
Accrued professional fees	44,564	11,665
Withholding tax payable	-	1,905
Payable to Federal Government of Nigeria for Housing Market Development Fund (see note 13(a)(ii))	855,053	553,193
NHF payable	-	564
PAYE payable	-	12,223
NSITF Payable	13,696	-
ITF payable	-	7,147
	913,313	586,698
Financial liabilities		
Pension contribution payable	52	-
Performance bonus payable to employees	241,449	58,859
Other account payable	44,094	17,146
	285,595	76,005
	1,198,908	662,702
Current	1,198,908	662,702
Non- Current	-	-
	1,198,908	662,702

15 Capital and reserves

(a) Share capital and share premium

In thousands of Naira	31 December 2019	31 December 2018
(i) *Authorised:*		
8,500,000,000 ordinary shares of N1.00 each	8,500,000	8,500,000
(ii) *Issued and fully paid:*		
Balance at beginning of the year (2,125,444,000 ordinary shares of N1.00 each)	2,125,444	1,912,900
Bonus issue in 2018 (2,125,444,000 ordinary shares of N1.00 each)	-	212,544
	2,125,444	2,125,444

(iii) *Share premium*

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

In thousands of Naira	31 December 2019	31 December 2018
Balance at beginning of the year	5,925,232	5,925,232
	5,925,232	5,925,232
Share capital and share premium	8,050,676	8,050,676

(b) Retained earnings

In thousands of Naira	31 December 2019	31 December 2018
Balance, beginning of year	3,497,095	2,650,750
Adjustment on initial application of IFRS 9	-	(229,887)
Restated balance, beginning of year	3,497,095	2,420,863
Transfer from statement of comprehensive income	3,018,456	1,841,109
Transfer to statutory reserve	(905,537)	(552,333)
Bonus issue	-	(212,544)
Balance, end of year	5,610,014	3,497,095

(c) Statutory reserve

In thousands of Naira	31 December 2019	31 December 2018
Balance, beginning of year	1,604,098	1,105,830
Adjustment on initial application of IFRS 9	-	(54,065)
Restated balance, beginning of year	1,604,098	1,051,765
Transfer from retained earnings (see note (i) below)	905,537	552,333
Balance, end of year	2,509,635	1,604,098

(i) In line with the Central Bank's regulatory framework for Mortgage refinance companies, the Company is required to maintain a reserve fund and transfer a minimum of 30% of its net profits into the reserve account (where the reserve fund is less than the paid up share capital) or a minimum of 15% of its net profits (where the reserve fund is equal to or more than the paid up share capital).

(d) Fair value reserves

In thousands of Naira	31 December 2019	31 December 2018
Balance, beginning of year	41,785	96,779
Adjustment on initial application of IFRS 9	-	37,111
Restated balance, beginning of year	41,785	133,890
Fair value gain/(loss) for the year (see note (i) below)	511,545	(89,698)
Impairment loss/(write back)	3,200	(2,407)
Balance, end of year	556,530	41,785

(i) Fair value reserves represent the difference between the amortized cost of the Company's FVOCI financial assets and the market value of those assets, as well as the impairment allowance on FVOCI financial assets. The difference is recognized in the statement of other comprehensive income and transferred to profit or loss upon derecognition of the financial asset.

16 Interest income

In thousands of Naira	31 December 2019	31 December 2018
Cash and cash equivalents	726,452	450,537
Placements with banks	427	52,124
Mortgage refinance loans	2,626,194	1,813,405
Treasury bills	2,016,233	1,893,764
Federal government of Nigeria bonds	4,241,690	2,869,680
	9,610,997	7,079,510

17 Interest expense

In thousands of Naira	31 December 2019	31 December 2018
Interest expense on borrowings	1,589,091	1,100,316
Interest expense on debt securities issued	2,608,920	2,077,025
	4,198,011	3,177,342

18 Other income

In thousands of Naira	31 December 2019	31 December 2018
Gain on asset disposal	8	-
Other income	7,085	6,741
	7,093	6,741

19 Personnel expenses

In thousands of Naira	31 December 2019	31 December 2018
Salaries and allowances	523,565	592,349
Defined contribution plan	20,967	19,123
Group Life Assurance	3,960	3,341
Other staff cost (See note (a) below)	352,709	138,674
	901,201	753,486

(a) Other staff cost is made up of other short term employee costs such as health insurance, overtime allowances, statutory payroll contributions and performance incentives. During the year, the performance incentive plan of the Company was updated to reflect a profit sharing plan to the employees of the Company.

(b) The average number of persons employed during the year by category were as follows:

	31 December 2019	31 December 2018
Executive	2	2
Management	11	11
Non-management	12	11
	25	24

(c) The table below shows the number of employees (excluding non-executive directors), whose earnings during the year fell within the ranges shown below:-

	31 December 2019	31 December 2018
N300,001 - N2,000,000	-	-
N2,000,001 - N3,000,000	1	1
N3,000,001 - N4,000,000	-	-
N4,000,001 - N5,000,000	2	2
N5,000,001 - N6,000,000	4	4
N6,000,001 - N7,000,000	-	-
N7,000,001 - N8,000,000	1	-
N8,000,001 - N9,000,000	2	2
N9,000,001 - N10,000,000	2	2
N10,000,001 and above	13	13
	25	24

20 Other operating expenses

In thousands of Naira	31 December 2019	31 December 2018
Service charge/Legal fees	46,067	31,961
ITF Levy	8,358	29,485
NSITF	13,696	-
General admin expenses	52,257	43,786
Net loss on disposal of property and equipment	2,549	9,191
Audit fee	20,865	20,865
Custody fees	20,479	11,677
Rent	24,000	53,000
Bank charges	2,007	2,964
Utility and electricity	25,127	24,398
Advertisement	9,909	55,245
Insurance	9,175	10,876
IT cost	115,213	102,713
Professional fees (see note (a) below)	72,509	75,457
Stationery and printing	1,444	6,911
Recruitment expense	2,357	278
Entertainment	21,334	29,524
Subscription expenses	19,820	10,057
Annual general meeting expenses	11,537	11,109
Business and Product development expenses	32,961	16,784
Donations	6,800	10,365
Directors fees	35,000	45,000
Flight & transportation cost	60,615	63,988
Hotel accommodation expenses	4,489	4,119
Conferences	17,724	24,534
Other directors expenses	82,291	81,205
Staff welfare and training	72,243	68,645
Sponsorship	15,341	21,569
Contribution to Federal Government of Nigeria for Housing Market Development Fund (see note 13(a)(ii))	301,860	184,121
	1,108,027	1,049,826

(a) The Company paid professional fees during the year as follows:-

In thousands of Naira	31 December 2019	31 December 2018
Financial consultancy services	14,075	16,362
Human resources consultancy services	3,716	5,250
Legal fees	9,972	1,500
Tax consultancy services	4,898	7,964
Reporting accountant services - Sukuk issue	-	1,500
Bond rating/related services	20,174	20,517
Project management, compliance and market advisory services	1,200	5,271
Other advisory services	18,474	17,093
	72,509	75,456

21 Taxation

(a) Income tax expense

(i) Recognised in profit or loss

In thousands of Naira	31 December 2019	31 December 2018
Minimum tax	48,099	75,224
Information technology tax	30,667	19,163
Police trust fund levy	151	-
Total income tax expense	78,917	94,387

(ii) Reconciliation of effective tax rate

In thousands of Naira	31 December 2019		31 December 2018	
Profit before tax		3,097,373		1,935,496
Adjustment for information technology tax		(30,667)		(19,163)
		3,066,706		1,916,333
Tax using domestic corporation tax rate	30%	920,012	30%	574,900
Non-deductible expenses	3%	95,782	5%	99,787
Tax exempt income	-63%	(1,936,459)	-75%	(1,438,185)
Information technology tax	1%	30,667	1%	19,163
Police trust fund levy	0%	151	0%	-
Minimum tax	2%	48,099	4%	75,224
Unrecognised deductible temporary differences	34%	1,034,604	42%	807,979
Other permanent differences	-4%	(113,939)	-2%	(44,481)
	3%	78,917	5%	94,387

(b) Current tax liabilities

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 years.

In thousands of Naira	31 December 2019	31 December 2018
Balance, beginning of year	93,858	18,931
Charge for the year	78,917	94,387
Tax paid	(94,172)	(19,460)
Balance, year end	78,603	93,858

(c) Unrecognised deferred tax asset

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 temporary difference in the recognition of depreciation and capital allowances on property and equipment, unrelieved tax losses and collective impairment on loans 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 thousands of Naira	31 December 2019	31 December 2018
Property and equipment	(107,377)	(108,731)
Unrelieved tax losses	3,495,608	2,591,590
Collective impairment	103,393	62,033
	3,491,624	2,544,892

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

In thousands of Naira	31 December 2019	31 December 2018
Balance, beginning of the year	2,544,892	1,753,808
Credit for the year	946,731	791,084
Balance, end of the year	3,491,624	2,544,892

22 Earnings per share (Basic and diluted)

(a) Basic earnings per share

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

31 December 2019

Weighted average number of ordinary shares

In thousands of units of shares		Shares Outstanding	Period Covered	Weighted shares
Number of Shares at the beginning of the year	15(a)	2,125,444	1.00	2,125,444
Number of Shares at the end of the year	15(a)	2,125,444	1.00	2,125,444
Profit attributable to equity holders				3,018,456
Earnings per share (kobo)				142

31 December 2018

Weighted average number of ordinary shares

In thousands of units of shares		Shares Outstanding	Period Covered	Weighted shares
Number of Shares at the beginning of the year	15(a)	1,912,900	0.67	1,275,267
Number of Shares at the end of the year	15(a)	2,125,444	0.33	708,481
Weighted average number of ordinary shares				1,983,748
Profit attributable to equity holders				1,841,109
Earnings per share (kobo)				93

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

23 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 2019 (31 December 2018: Nil)

24 Contingent liabilities

The Company is defending an action brought by a former employee. Although liability is not admitted, if the defence against the action is unsuccessful, then compensation, damages, interest (as deemed appropriate by the court), fines and legal costs could amount to N463,341,717.

Based on legal advice, management believes that its defence of actions will be successful.

The Company also has an open tax matter with the Lagos State Internal Revenue Service where the tax authority claims that there is an outstanding PAYE due of N10,478,106. The Company has provided evidence to the tax authority to disprove this claim. At the date of this report, the final clearance from the tax authority is outstanding.

25 Related party transactions

(a) (i) Key management personnel compensation

Compensation of the Company's key management personnel comprises:

In thousands of Naira	31 December 2019	31 December 2018
Short-term employee benefits	103,161	124,251
Contributions to defined contribution plans	2,850	4,953
	106,011	129,204

(ii) Directors' emoluments

The remuneration paid to directors (excluding executive directors) were as follows:

In thousands of Naira	31 December 2019	31 December 2018
Fees	35,000	45,000
Sitting and other allowances	17,119	23,450
	52,119	68,450

The number of directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges was:

In thousands of Naira	31 December 2019	31 December 2018
N1,000,000 and above	9	9

(iii) Chairman and Highest paid director

	31 December 2019	31 December 2018
Chairman	9,000	11,850
Highest paid director	103,161	93,587

(b) Transactions with shareholders

During the year ended 31 December 2019, the following transactions occured between the Company and some of its shareholders.

(i) Money market placements

In thousands of Naira	31 December 2019	31 December 2018
Access Bank Plc		
-Current accounts	68,192	57,491
-Money market placements	4,000,000	4,200,000
Sterling Bank Plc		
-Current accounts	47,801	10,507
-Money market placements	950,000	935,000
Imperial Homes		
-Money market placements	-	50,000
Homebase Mortgage Bank		
-Money market placements	403,985	664,150
FirstTrust Mortgage Bank		
-Money market placements	143,500	330,780
Infinity Trust Mortgage Bank		
-Money market placements	100,000	50,000
	5,713,478	6,297,928

(ii) Mortgage refinance loans

In thousands of Naira	31 December 2019	31 December 2018
Imperial Homes Mortgage Bank Limited	1,247,992	1,472,585
First Trust Mortgage Bank Plc	1,179,153	947,066
Suntrust Bank Nigeria Limited	1,245,441	1,226,565
Homebase Mortgage Bank Limited	2,274,427	1,367,552
Stanbic IBTC Bank Plc	3,849,559	3,132,743
Sterling Bank Plc	2,285,302	2,446,187
Abbey Mortgage Bank Plc	-	5,565
Infinity Trust Mortgage Bank Plc	509,375	394,009
Access Bank Plc	5,885,257	6,010,514
Omoluabi Mortgage Bank Plc	131,393	21,431
Brent Mortgage Bank	5,634	-
Gateway Mortgage bank	26,700	-
	18,640,234	17,024,217

(iii) Interest income

In thousands of Naira	31 December 2019	31 December 2018
Access Bank Plc		
-Interest income on money market placements	470,845	252,017
Sterling Bank Plc		
-Interest income on money market placements	114,616	162,842
Homebase Mortgage Bank		
-Interest income on money market placements	94,683	30,116
Imperial Homes Mortgage Bank		
-Interest income on money market placements	1,969	5,712
Infinity Trust Mortgage Bank		
-Interest income on money market placements	7,297	6,203
FirstTrust Mortgage Bank		
-Interest income on money market placements	28,139	28,524
	717,550	485,414

26 Statement of prudential adjustments

(i) Loans and advances to customers

In thousands of Naira		31 December 2019	31 December 2018
ECL impairment allowance on mortgage refinance loans	8 (b)	300,746	173,628
Total impairment allowance on mortgage refinance loans (a)		300,746	173,628
Total impairment based on prudential guidelines (b)		186,402	170,209
Difference (c) = a - b		114,344	3,419

In accordance with Central Bank of Nigeria Prudential Guidelines, the Company did not make any transfer to the regulatory risk reserve during the year because IFRS 9 impairment allowance is higher than impairment based on prudential guidelines.

27 Statement of Cashflow workings

(a) Changes in Mortgage refinance loans

In thousands of Naira		31 December 2019	31 December 2018
Gross Mortgage refinance loans at the end of the year		18,640,234	17,197,846
Adjustment on intitial adoption of IFRS 9		-	(158,771)
Interest income		2,626,194	1,813,405
Interest received		(2,610,095)	(1,768,786)
Impairment (loss)/writeback		(127,118)	25,884
Gross Mortgage refinance loans at the beginning of the year		(17,197,846)	(8,398,657)
Gross movement in Mortgage refinance loans		(1,553,408)	(8,887,457)
Amount recognized in cash flow		(1,553,408)	(8,887,457)

(b) Net change in placements with banks

In thousands of Naira		31 December 2019	31 December 2018
Placements at the beginning of the year	7	919,133	-
Interest income		35,778	52,124
Impairment charge		(7,350)	(3,789)
Placements at the end of year	7	1,494,950	919,133
Cash (outflow)/inflow		(547,389)	(870,798)

(c) Changes in other assets

In thousands of Naira		31 December 2019	31 December 2018
Balance at the end of the year	12	121,220	269,907
Impairment of receivables	12	-	(2,500)
Balance at the beginning of the year	12	(142,433)	(142,433)
Net cash received on other assets		(21,213)	124,974

(d) Changes in other liabilities

In thousands of Naira		31 December 2019	31 December 2018
Balance at the end of the year	14	1,198,908	662,702
Balance at the beginning of the year	14	(662,702)	(569,449)
Net cash paid on other liabilities		536,206	93,255

(e) Interest received

In thousands of Naira		31 December 2019	31 December 2018
Total interest receivable in prior year		15,849,117	1,078,343
Interest income in current year	16	9,610,997	7,079,510
		25,460,114	8,157,853
Total interest receivable in current year		(35,249,364)	(15,849,117)
Interest received		(9,789,250)	(7,691,264)

(f) Repayment of borrowings and debt securities

In thousands of Naira	31 December 2019	31 December 2018
Total payable in prior year		
- Debt securities	17,743,249	7,402,781
- Borrowings	37,598,419	22,816,413
Interest paid in current year	(4,157,721)	(3,297,536)
Principal repaid in current year	(519,017)	(357,172)
Interest expense in current year	4,198,011	3,177,341
	54,862,941	29,741,828
Total payable in current year		
- Debt securities	(17,264,522)	(17,743,249)
- Borrowings	(37,598,419)	(37,598,419)
Amount (received)/paid	-	(25,599,840)
Principal repaid		
- Debt securities	(519,017)	(357,172)
- Borrowings	-	-
Total principal repaid	(519,017)	(357,172)
Interest paid		
- Debt securities	(2,568,630)	(2,004,487)
- Borrowings	(1,589,091)	(1,293,050)
Total interest paid	(4,157,721)	(3,297,536)

(g) Profit on disposal of property and equipment

In thousands of Naira		31 December 2019	31 December 2018
Cost	10	8,327	61,567
Accumulated depreciation	10	(5,169)	(52,016)
NBV		3,158	9,551
Sales proceed		609	358
Profit/(loss)on disposal		(2,549)	(9,191)

28 **Events after the reporting date**

There are no events that require disclosure or recognition in the financial statement of the Company.

Other National Disclosures

Other National Disclosures
Value added statement
For the year ended 31 December 2019

	December 2019	%	December 2018	%
Gross earnings	9,618,090		7,086,251	
Loan loss expenses/diminution in risk assets	(127,118)		23,384	
Bought-in materials and services - Local	(1,121,974)		(1,000,380)	
Value added	8,368,998	100	6,109,255	(100)
Applied to pay:				
To providers of finance				
Interest expense on borrowings	1,589,091	19	1,100,316	18
Interest expense on debt securities issued	2,608,920	31	2,077,026	34
To employees				
Personnel expenses	901,201	11	819,333	13
To the Government				
Taxation	78,917	1	94,387	2
Retained in the business:				
Depreciation and amortisation	172,413	2	177,083	3
Profit for the year	3,018,456	36	1,841,109	30
Value added	8,368,998	100	6,109,255	100

Other National Disclosures

Financial Summary

Statement of financial position

In thousands of Naira	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Assets					
Cash and cash equivalents	5,859,280	5,586,311	1,920,782	1,259,120	7,368,957
Placements with banks	1,494,950	919,133	-	1,443,069	14,157,595
Mortgage refinance loans	18,339,488	17,024,218	8,225,029	8,104,246	1,865,848
Investment securities					
- FVOCI	5,360,556	6,651,971	15,188,948	12,442,697	15,322,023
- Amortised cost	41,149,334	38,381,469	16,572,789	16,949,233	-
Property and equipment	519,944	545,727	335,784	246,567	148,769
Intangible assets	22,535	40,620	27,379	36,136	60,941
Other assets	121,220	142,433	269,907	307,545	135,282
Total assets	72,867,307	69,291,882	42,540,618	40,788,613	39,059,415
Liabilities					
Debt securities issued	17,264,522	17,743,249	7,402,781	7,542,865	7,760,373
Borrowings	37,598,419	37,598,419	22,816,413	24,268,660	23,303,888
Current tax liabilities	78,603	93,858	18,931	12,767	4,825
Other liabilities	1,198,908	662,702	569,449	339,199	213,527
Total liabilities	56,140,452	56,098,228	30,807,574	32,163,491	31,282,613
Net assets/(liabilities)	16,726,855	13,193,654	11,733,044	8,625,122	7,776,802
Capital and reserves					
Share capital and share premium	8,050,676	8,050,676	7,838,132	6,944,290	6,944,290
Retained earnings	5,610,014	3,497,095	2,650,750	1,343,472	449,803
Statutory reserves	2,509,635	1,604,098	1,105,830	527,759	144,758
Statutory credit risk reserve	-	-	41,553		
Fair value reserve	556,530	41,785	96,779	(190,399)	237,951
Total equity	16,726,855	13,193,654	11,733,044	8,625,122	7,776,802
Total liabilities and equities	72,867,307	69,291,882	42,540,618	40,788,613	39,059,415

Statement of Profit or loss and other comprehensive income

In thousands of Naira	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Interest income	9,610,997	7,079,510	6,149,675	5,176,768	3,132,729
Interest expense	(4,198,011)	(3,177,341)	(2,173,194)	(2,153,901)	(1,104,822)
Net interest income	5,412,986	3,902,169	3,976,481	3,022,867	2,027,907
Other income	7,093	6,741	11,105	6	772
Total income	5,420,079	3,908,910	3,987,586	3,022,873	2,028,679
Impairment of loans and advances	(141,065)	6,981	40,172	(38,467)	(42,447)
Personnel expenses	(901,201)	(753,486)	(898,610)	(882,562)	(618,223)
Depreciation & amortization	(172,413)	(177,083)	(132,297)	(92,558)	(47,774)
Other operating expenses	(1,108,027)	(1,049,826)	(1,050,891)	(719,849)	(832,885)
Profit before income tax	3,097,373	1,935,496	1,945,960	1,289,437	487,350
Income tax expense	(78,917)	(94,387)	(19,058)	(12,767)	(4,825)
Profit for the year	3,018,456	1,841,109	1,926,902	1,276,670	482,525
Items that are or may be reclassified to profit or loss					
- Changes in fair values of FVOCI debt instruments	511,545	(89,698)	287,178	(428,350)	237,951
- Impairment loss/(write back)	3,200	(2,407)	-	-	-
Other comprehensive income, net of income tax	514,745	(92,105)	287,178	(428,350)	237,951
Total comprehensive profit for the year	3,533,201	1,749,004	2,214,080	848,320	720,476
Profit attributable to:					
Equity holders of the Company	3,018,456	1,841,109	1,926,902	1,276,670	482,525
Profit for the year	3,018,456	1,841,109	1,926,902	1,276,670	482,525
Total comprehensive profit attributable to:					
Equity holders of the Company	3,533,201	1,749,004	2,214,080	848,320	720,476
Total comprehensive profit for the year	3,533,201	1,749,004	2,214,080	848,320	720,476
Earnings per share (Basic and diluted)- kobo	142 k	93 k	104 k	72k	27 k

Shareholding Structure

NMRC currently has 26 investors with a total value for shares of ₦8.50 billion. The Ministry of Finance Incorporated (MoFI) and the Nigerian Sovereign Investment Authority (NSIA) own about 15.68% and 20.91% respectively, while twenty (24) CBN Licenced Financial Institutions represent the majority shareholders owning about 63.41% of the total shares of NMRC.

Claims and Litigation

As at the date of this 2nd Addendum to the Shelf Prospectus, the litigation, arbitration or administrative proceedings pending, and commenced to the best of NMRC's knowledge threatened against the Company is listed below.

Schedule of Litigation					
Suit No	**Case title**	**NMRC Counsel**	**Description**	**Claim**	**Status**
NICN/ABJ/217/2018	Professor Charles Inyangete v. NMRC & Anor	Aluko & Oyebode	Matter filed by ex-MD alleging wrongful termination of appointment	N463,341,717+(28% of N213,341,717 p.a from 23 March 2018 until judgment date)	Parties have filed their pleadings. Following the direction of the court, the Plaintiff corrected his court processes. The matter has now been adjourned to 26th Feb 2020 for definite hearing.

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:	Mr Charles Adeyemi Cadide-Johnson
	Mr. Kehinde Ogundimu
	Mr. Alexander Adeyemi
	Dr. Femi Johnson
	Mrs. Fatima Wali-Abdulrahman
	Mr. Herbert Wigwe
	Mr. Razack Adeyemi Adeola
	Mr. Uche Orji
	Mr Olabanjo Obaleye
Company Secretary:	Tochukwu Kelly Mogbo
Issuing House:	DLM Advisory Limited
Note Trustee:	Stanbic IBTC Trustees Limited

	DLM Trust Company Limited
Security Trustee:	FBN Trustees Limited
Solicitors to the Issuer:	Olaniwun Ajayi LP
Solicitors to the Issue	G. Elias and Co.
Auditors to the Company:	KPMG Professional Services
Rating Agencies:	Global Credit Rating Co.
	Agusto & Co.
Registrars:	Meristem Registrars and Probate Services Limited
Account Bank & Paying Agent	Standard Chartered Bank Limited
Receiving Banks:	Access Bank Plc.
	Sterling Bank Plc.

Copies of the following documents will be available for inspection at the offices of DLM Advisory Limited, 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) The Certificates of Registration of Increase in Share Capital;
(v) The Base Shelf Prospectus dated 29 July, 2015;
(vi) The Addendum to the Base Shelf Prospectus dated 21st May, 2018;
(vii) This Second Addendum to Base Shelf Prospectus dated 2nd November 2020;
(viii) The Audited Financial Statement of the Company for the periods ended 31 December 2017 to 31 December, 2019;
(ix) The Report from KPMG Professional Services, the Auditors, on the audited financial statements of the Company;
(x) The material contracts referred to on page 104 of the Base Shelf Prospectus dated 29th July, 2015 and page 80 of the Addendum to the Base Shelf Prospectus dated 21st May, 2018;
(xi) The written consents referred to on page 14 of this Addendum;
(xii) The letter of approval from the Securities & Exchange Commission with respect to the relevant Bond Issue;
(xiii) CBN Final License Letter dated February 18, 2015; and
(xiv) Subordinated Loan Agreement dated January 2014 between NMRC and the CBN.

"**Participating Finance Institution**"	means finance institution duly licensed by the CBN and satisfies the NMRC Uniform Underwriting Standards or other prequalification criteria as may be determined by NMRC from time to time;
"**Remittance Date**"	means the with respect to the Mortgage Loans, the date on which any amounts received by the Participating Finance Institutions must be remitted into the Collection Account in accordance with the terms of the Refinancing Supplement;

DIRECTORS, SECRETARY AND OTHER PARTIES TO THE PROGRAMME

ISSUER

Nigeria Mortgage Refinance Company Plc
18, Mississippi Street, off Alvan Ikoku way,
Maitama, Abuja
Nigeria.

Charles Adeyemi Candide-Johnson, SAN, FCI ARB – Chairman
Strachan Partners
No 8 Tokunbo Omisore Street, Off Wole Olateju Crescent
Off Admiralty Way, Lekki Phase 1
Lagos

Mr. Kehinde Ogundimu - MD
Nigeria Mortgage Refinance Company Plc.
18, Mississippi Street
Off Alvan Ikoku Way
Maitama
Abuja

Mr. Herbert Wigwe - Director
Plot 999C, Danmole Street
Victoria Island
Lagos

Dr. Femi Johnson - Director
Homebase Mortgage Bank Limited
21, Adeyemo Alakija Street
Victoria Island
Lagos

Mr. Razack Adeyemi Adeola - Director
9th Floor
Sterling Towers
20 Marina
Lagos

Dr. Olabanjo Obaleye - Director
10 Springs Boulevard
Suncity, Galadimawa District
Abuja

Mr. Uche Orji - Director
4th Floor, 1386A Tigris Crescent
Maitama
Abuja

Mr. Alexander Adeyemi - Director
Ministry of Finance Incorporated
Federal Ministry of Finance
CBD, Abuja

Mrs Fatima Wali-Abdurrahman - Director
Filmo Group
1 Kandi Close, Off Aminu Kano Crescent
Wuse II, Abuja

Company Secretary
Tochukwu Kelly Mogbo
18 Mississippi Street
Maitama
Abuja

ISSUING HOUSE
DLM Advisory
10th Floor, Elephant House
214 Broad Street
Marina, Lagos

REGISTRARS
Meristem Registrars & Probate Services Limited
213 Hebert Macaulay Way
Sabo, Yaba
Lagos

Martha Osagie

SOLICITORS TO THE ISSUER
Olaniwun Ajayi LP
The Adunola
Plot L2. 401 Close
Banana Island, Ikoyi
Lagos

Yewande Senbore

SOLICITORS TO THE ISSUE
G.Elias & Co.
(Solicitors & Advocates)
6, Broad Street
Lagos

AUDITORS TO THE COMPANY
KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos

AKINYEMI ASHADE

NOTE TRUSTEES

Stanbic IBTC Trustees
The Wealth House
Plot 1678 Olakunle Bakare Close
Victoria Island
Lagos

DLM Trust Company
10th Floor, Elephant House
214 Broad Street
Marina
Lagos

KENNEDY IGHODARO

OLUTOYE SANNI

SECURITY TRUSTEE
FBN Quest Trustees
10, 16-18 Keffi Street
Ikoyi, Lagos

RECEIVING BANKS

Access Bank Plc
Plot 999c Danmole Street
Victoria Island
Lagos

OSIBO OMOLADE

Sterling Bank Plc
Sterling Towers
20 Marina
Lagos

ACCOUNT BANK
Standard Chartered Bank
374 Adetokunbo Ademola Crescent
Wuse II
Abuja, Nigeria

YEMISI LOWO-ADESOLA

RATING AGENCIES

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8th Floor
New Africa House
31 Marina
Lagos

OKUNOLA HAFEEZ

Agusto & Co. Limited
5th Floor
UBA House
57 Marina
Lagos

ADEBIYI OLUKOYA