NMRC
Nigeria Mortgage Refinance Company

2015 Annual Report & Financial Statements

Breaking Home Ownership Barriers

Vision

To be the dominant housing partner in Nigeria.

Mission

To remove barriers to home ownership, provide liquidity, affordability, accessibility and stability to the housing market in Nigeria.

Contents

NMRC Business Implementation Phases

Phase 1 (Year 1)

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

Phase 2 (Year 2 – 3)

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

Phase 3 (Year 4 – 5)

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

Phase 4 (Year 5 onwards)

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

Ownership Structure

NMRC has N7.78 Billion Tier 1 Capital which is above the minimum capital requirement of N5 Billion as stipulated by the CBN. NMRC has an Authorised Share Capital of 8,500,000,000.

NMRC has 22 investors with the Ministry of Finance Incorporated (MoFI) and the Nigerian Sovereign Investment Authority (NSIA) holding about 17.02% and 22.7% respectively. Four (4) Commercial Banks (CBs) and sixteen (16) Primary Mortgage Banks (PMBs) represent the about 10.64% and 49.65% respectively of the total shares of NMRC.

The mix of investor groups is chosen to ensure the success of NMRC, as each group brings a unique value to the institution. NMRC will from time to time raise additional Tier 1 capital to meet regulatory requirement for expanding business scale.

The Company's Tier 2 Capital include a Subordinated Loan of N23.3 Billion (US$ 120 Million) which is a World Bank International Development Agency Loan to the Federal Republic of Nigeria for funding of the Housing Finance Programme. The role of the IDA loan will be twofold:

(i) To strengthen balance sheet and

(ii) To ensure sustainability of the model as it will provide confidence in the credit standing of NMRC as a bond issuing entity

The facility is available to NMRC in 6 instalments upon attaining certain disbursement tied milestones as specified by the World Bank and subject to terms set out in the Subordinated Loan Agreement with CBN.

NMRC has drawn a total of US$120 Million being the first and second tranches from the IDA Facility following compliance with the effectiveness conditions of the World Bank and successful completion of the review of the legacy loans.

N7.78 Billion

Tier 1 Capital

8.5 Billion Units

Authorised Share Capital

22 Investors

Ministry of Finance Incorporated
Nigerian Sovereign Investment Authority
4 Commercial Banks
16 Primary Mortgage Banks

N31.06 Billion

Tier 2 Capital

Corporate Information

Name of Directors		
	Charles C. Okeahalam, PhD******	Chairman
	Herbert Wigwe****	Interim Chairman
	Ngozi Okonjo-Iweala, PhD*	Former Chairman
	Charles Inyangete, PhD	Chief Executive Officer
	Kehinde Ogundimu*****	Executive Director
	Chika Akporji, PhD*****	Executive Director
	Fatima Wali-Abdurrahman******	Independent Non-Executive Director
	Anino Emuwa, DBA******	Independent Non-Executive Director
	Charles Adeyemi Candide-Johnson (SAN, FCI. Arb)******	Independent Non-Executive Director
	Razack Adeyemi Adeola	Non-Executive Director
	Uche Orji	Non-Executive Director
	Hassan Musa Usman********	Non-Executive Director
	Femi Johnson, DBA	Non-Executive Director
	Joseph Magaji Azi**	Non-Executive Director
	Omoniyi Fagbemi***	Non-Executive Director
	Sonnie Ayere*******	Non-Executive Director

* *Resigned as Chairman and Director on May 26, 2015*

** *Resigned as a Director effective May 26, 2015*

*** *Appointed as a Director effective May 26, 2015*

**** *Appointed as Interim Chairman effective May 26, 2015*

***** *Appointed as a Director effective November 26, 2015*

****** *Appointed as a Director effective Jan 22, 2016 and confirmed by CBN on Feb 18, 2016*

******* *Resigned as a Director effective June 30, 2015*

******** *Resigned as a Director effective Feb 25, 2016*

Corporate Office	Registration Number	Auditors	Company Secretary
5th Floor Pent House, Clan Place 1386A, Tigris Crescent Maitama Abuja.	RC1123944	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos	Detail Nominees 8 DCS Street Lekki Phase 1 Lagos

Bankers			
Access Bank Plc.	Skye Bank Plc.	Standard Chartered Bank Nigeria Ltd.	Guaranty Trust Bank Plc.
Sterling Bank Plc.	Stanbic IBTC Bank Plc.	First Bank of Nigeria Ltd.	Ecobank Nigeria Ltd.
Zenith Bank Plc.	Fidelity Bank Plc.	United Bank for Africa Plc.	Heritage Bank Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2nd Annual General Meeting of the Nigeria Mortgage Refinance Company (NMRC) Plc. will hold at Abora & Mazonia Suites, Eko Hotel & Suites, Victoria Island, Lagos on Tuesday, 18th October 2016 at 10:00am to transact the following:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31st December 2015
2. To receive the reports of the Directors and Auditors of the Company.
3. To re-appoint KPMG Professional Services as the Auditors to the Company from the end of the Annual General Meeting until the end of the next Annual General Meeting.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To elect/re-elect members of the Statutory Audit Committee.

SPECIAL BUSINESS

1. To consider and if thought it fit to pass the under-listed as an ordinary resolution of the Company:

   "That the Directors' compensation package as presented by the Board be and is hereby approved"

2. To consider and if thought it fit to pass the under-listed as an ordinary resolution of the Company:

   "That the appointment of Dr. Charles C. Okeahalam; Mr. Charles A. Candide-Johnson, SAN; Dr. Anino Emuwa; and Mrs. Fatima Wali-Abdurrahman as Independent Non – Executive Directors be and is hereby ratified"

3. To consider and if thought it fit to pass the under-listed as an ordinary resolution of the Company:

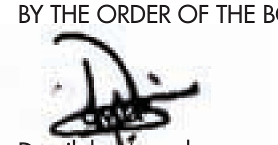
   "That the appointment of Mr. Adeniyi Akinlusi of Trustbond Mortgage Bank Plc as a Non – Executive Director be and is hereby ratified."

PROXY

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy form is attached to the Notice and is valid for the purpose of the meeting. All instruments of proxy should be duly stamped at the Stamp Duties Office and deposited at the office of the Registrars, Meristem Registrars Limited, 213 Herbert Macaulay Road, Yaba, Lagos, not later than 48 hours prior to the time of the meeting.

Dated this 16th day of September 2016

BY THE ORDER OF THE BOARD



Damilola Macaulay
For and on behalf of
DETAIL Nominees
Company Secretary
FRC/2014/00000004789
8 DCS Street
Lekki Phase 1, Lagos

NOTES

1. Voting

On a show of hands, every member present in person or proxy shall have one vote and on a poll, every member shall have one vote for every share of which it is the holder.

2. Audit Committee

The Audit Committee consists of 3 shareholders and 3 Directors representatives respectively; In accordance with section 359(5) of the Companies and Allied Matters Act, 2004 (CAMA), any shareholder may nominate a shareholder for appointment to the Audit Committee. Such nomination (accompanied with a detailed resume of such candidate) should be submitted to and should reach the Company Secretary at least 21 (twenty-one) days before the Annual General Meeting. The Central Bank of Nigeria and the Securities and Exchange Commission in their respective Codes of Corporate Governance require that members of the Audit Committee have basic financial literacy and at least one member be knowledgeable in internal control processes, accounting or financial management. Consequently, a detailed resume of candidates should be submitted with each nomination.

3. Appointment of Directors

The following Directors' appointment as approved by the Central Bank of Nigeria; are being presented for shareholders' approval in accordance with Section 248 (1) of CAMA.

1. Dr. Charles C. Okeahalam *(Independent Non – Executive)*
2. Mr. Charles A. Candide-Johnson, (SAN, FCI.Arb) *(Independent Non – Executive)*
3. Dr. Anino Emuwa *(Independent Non – Executive)*
4. Mrs. Fatima Wali – Abdulrrahman *(Independent Non – Executive)*
5. Mr. Adeniyi Akinlusi *(Non – Executive)*

The full profile of the Directors is available in the Annual Report as well as on the Company's website at: www.nmrc.com.ng

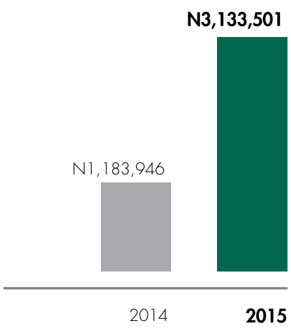
4. Website

A copy of this Notice and other information relating to the meeting can be found at www.nmrc.com.ng/investors.

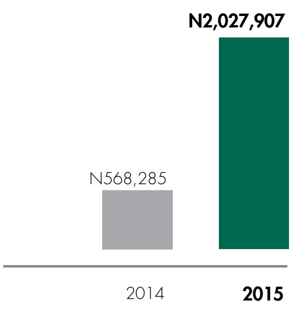
Results at a Glance

In thousands of Naira	**31 December 2015**	31 December 2014
GROSS EARNINGS/INCOME	**3,133,501**	1,183,946
NET INTEREST INCOME	**2,027,907**	568,285
PROFIT BEFORE TAX	**487,350**	160,149
TOTAL LIABILITIES	**31,282,613**	3,568,562
REFINANCING (NET)	**1,865,848**	-
TOTAL ASSETS	**39,059,415**	10,624,888
SHAREHOLDERS' FUNDS	**7,776,802**	7,056,326

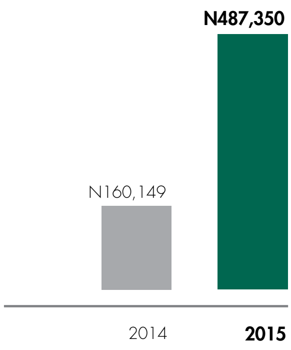
GROSS EARNINGS/INCOME
(In thousands of Naira)



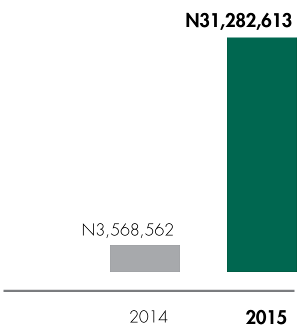
NET INTEREST INCOME
(In thousands of Naira)



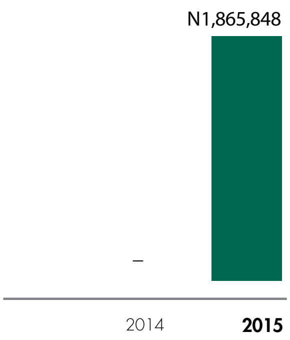
PROFIT BEFORE TAX
(In thousands of Naira)



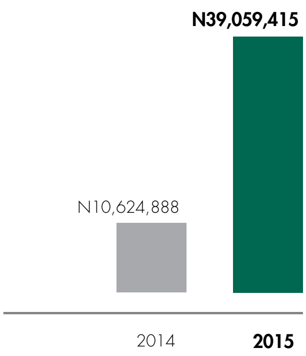
TOTAL LIABILITIES
(In thousands of Naira)



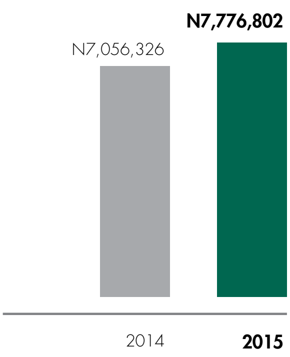
REFINANCING (NET)
(In thousands of Naira)

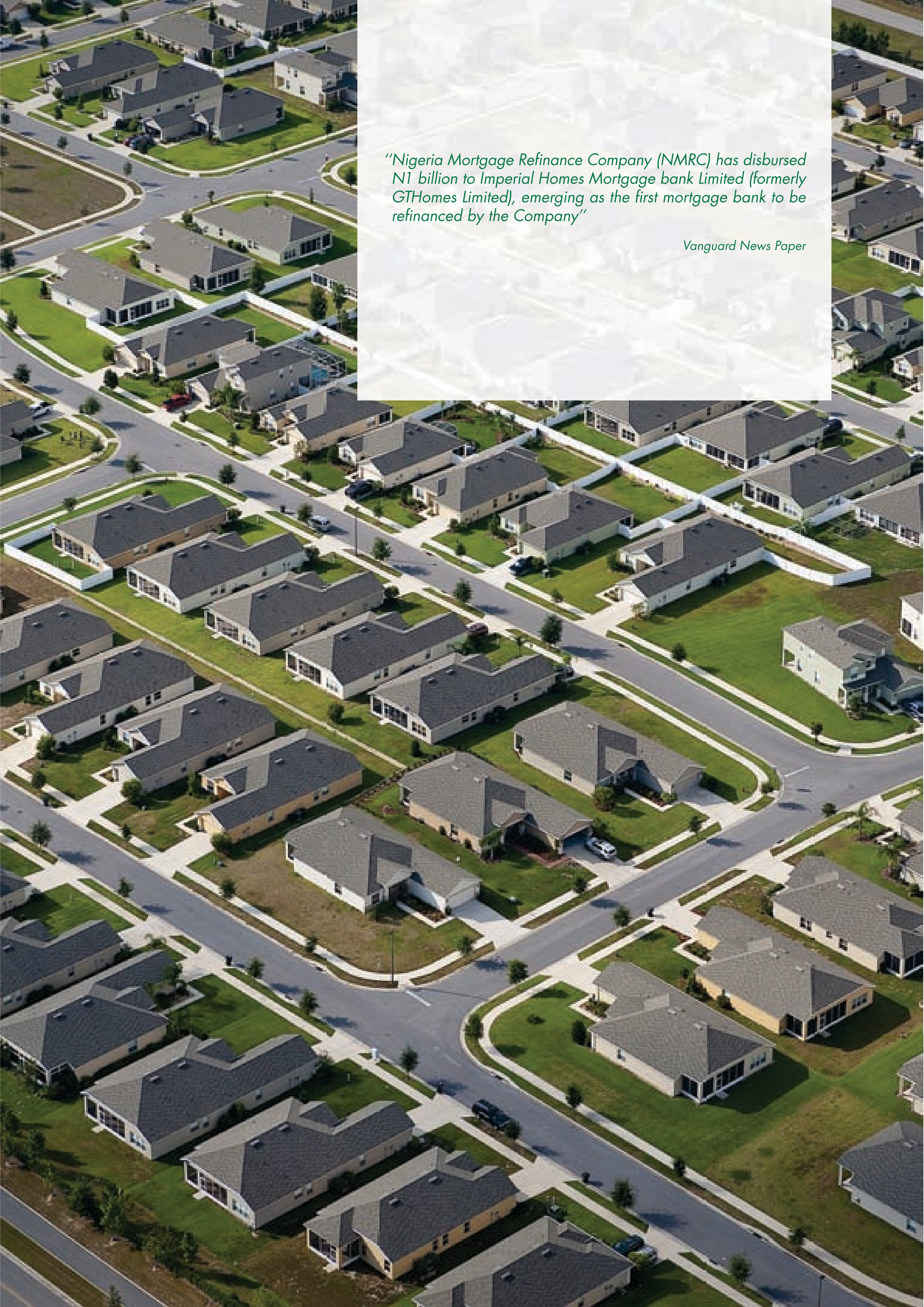


TOTAL ASSETS
(In thousands of Naira)



SHAREHOLDERS' FUNDS
(In thousands of Naira)





''Nigeria Mortgage Refinance Company (NMRC) has disbursed N1 billion to Imperial Homes Mortgage bank Limited (formerly GTHomes Limited), emerging as the first mortgage bank to be refinanced by the Company''

Vanguard News Paper

Chairman's Statement

"I am pleased to report that the financial position of our Company remained strong in 2015. Profit after Tax for FY2015 was N482 million, Shareholders' Funds increased to N7.78 billion in 2015 from N7.06 billion in 2014, driven primarily by accretion from the current year's profit."

Charles C. Okeahalam, PhD

Chairman of the Board

Distinguished Shareholders, Members of the Board of Directors, Ladies and Gentlemen, welcome to the 2nd Annual General Meeting of our Company. As we mark our second anniversary as an entity and our first year of operation, I am encouraged by our progress and momentum.

Our accomplishments in 2015 show Nigeria Mortgage Refinance Company at its best: a company breaking down barriers to home ownership, growing with quality, and leading with humanity. I am pleased to report that our Company was profitable in our first year of operation and delivered on its mandate of providing long-term liquidity at affordable rates to the housing finance market. This performance is a testament to our mission to remove barriers to home ownership, provide liquidity, affordability, accessibility and stability to the housing market in Nigeria.

THE GLOBAL AND NIGERIAN ECONOMY

The global economy under performed in 2015, six years after the 2008 -09 global recession. The year 2015 was marked by faster slowdown in China and sharp decline in commodity prices. Euro zone's anaemic recovery continued to hamper growth and job creation. One glimmer of hope was the United States of America, where the economy posted enough gains that prompted the Federal Reserve to increase interest rates for the first time since 2006. The US workforce expanded by 2.6 million employees and unemployment rate fell to 5% from 5.6%.

Nigeria endured a challenging 2015 as falling crude prices impacted adversely on exports and foreign exchange earnings. This was compounded by a range of broader macroeconomic pressures, including uncertainty in the lead up to the 2015 presidential elections, a strengthening US dollar and insecurity in the Niger-Delta as well as North-East of the country. These headwinds slowed Nigeria's GDP growth to 2.97% in 2015, the lowest since 1999.

PERFORMANCE REVIEW

Despite the harsh economic and operating environment, I am pleased to report that the financial position of our Company remained strong in 2015. Profit after Tax for FY2015 was N482 million, Shareholders' Funds increased to N7.78 billion in 2015 from N7.06 billion in 2014, driven primarily by accretion from the current year's profit. The Company's Capital Adequacy Ratio in 2015 was 87%, substantially above the 10% regulatory requirement. The Company established its presence on the domestic Debt Capital Market with the issuance of N8 billion, 15-yr, 14.9%, AAA-rated bond and the listing of the bond on the FMDQ OTC Exchange and the Nigerian Stock Exchange.

GOVERNANCE AND CHANGES IN BOARD COMPOSITION

In April 2016, the Company obtained the approval of the Central Bank of Nigeria to admit four independent Directors to the Board. These new Board members are Dr. Anino Emuwa, Mrs. Fatima Wali-Adbulrrahaman, Mr. Charles Candide-Johnson (SAN) and myself. It gives me great pleasure to welcome Mr. Adeniyi Akinlusi to the Board and I would like to thank Mr. Hassan Usman for his valuable contributions to the Board during his tenure as a director.

The composition of the Board with seasoned professionals who possess diverse and rich experience in the private and public sectors will further enhance the capacity of the Board to deliver on its corporate goals. I am confident the Board will continue to serve you with utmost sense of responsibility and commitment while steering our Company to unprecedented heights in the years ahead.

OUTLOOK

We expect the Nigerian economy to recover slowly as some of the structural reforms and measures to boost the economy, such as increased spending on infrastructure are implemented and begin to take effect. The key reforms include the rationalisation of the public sector in order to cut the cost of governance; enforcement of the single treasury account to block financial leakages; renewed efforts at enforcement of tax compliance; preparation for zero-budgeting starting in 2016; and increasing the ratio of capital to recurrent expenditure to 30:70.

We believe that our current economic challenges present opportunities for our Company to grow. Accordingly, we will be enhancing our risk management as well as information and communications technology function to improve efficiency and ultimately reduce housing finance costs.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my deepest appreciation to the teams that have enabled us to make these great strides over the years. My gratitude to the management and staff of our great company for their hard work and commitment; our esteemed shareholders/customers for their faith, support and patronage; our regulators and all other stakeholders for their invaluable assistance and guidance. I am confident that we will continue to build long term value for our communities, our people and for you our shareholders.

Charles C. Okeahalam, PhD

Chairman of the Board

CEO's Statement

"the company recorded strong financial performance for the year ended December 31, 2015. Gross earnings amounted to N3.13b while Profit before tax was N487m. Total assets increased by 269% from N10.6b in 2014 to N39.1b in 2015 fuelled by satisfying the conditions for the second tranche draw down of World Bank funding."

Charles Inyangete, PhD

MD/Chief Executive Officer

REVIEW OF THE OPERATING ENVIRONMENT

The operating environment in 2015 can be described as a tale of four quarters, with each quarter manifesting its own set of challenges. The World Bank in its Nigeria Economic Report (NER) 2015 described it as a momentous year. A vast range of monetary policy interventions and a highly charged build up to the 2015 General Election made for an uncertain business environment. A GDP growth of 2.9% was recorded in the 2015. The poor performance of the economy has been attributed to various factors including a sharp decline in crude prices, waning confidence by international investors for a myriad of reasons and the uncertainty surrounding policy on the value of the domestic currency (Naira).

The uncertainties spawned volatility in the financial markets resulting in record increase in yields across all maturities of Fixed Income securities. The NMRC's maiden bond issuance was set in this volatile backdrop which saw the base rate move 80bps from 13.2% to 14.0% between obtaining final Securities and Exchange Commission (SEC) approval and going to the market. The high interest rates resulting from the challenging operating environment constrained NMRC's fledgling refinancing activities in 2015.

FINANCIAL PERFORMANCE

In an apparent endorsement of the business model despite the volatile operating environment, the Company recorded strong financial performance for the year ended December 31, 2015. Gross earnings amounted to N3.13b while Profit before tax was N487m. Total assets increased by 269% from N10.6b in 2014 to N39.1b in 2015 fuelled by satisfying the conditions for the second tranche draw down of World Bank funding.

CORPORATE STRATEGY – NMRC 5-YEAR STRATEGIC PLAN

Following wide consultation with key stakeholders, the NMRC Strategic Plan 2015 – 2019 was developed and approved by the Board. It sets out the Company's vision to be the dominant housing partner in Nigeria. The vision is underpinned by NMRC's mission to remove barriers to home ownership in Nigeria by providing liquidity, affordability, accessibility and stability to the housing market.

Our aspiration is to grow the mortgage market to 3% of GDP with a mortgage pool of 450,000 mortgages by 2019. The strategic pillars of our business are to deepen mortgage coverage as we aggressively drive the use of mortgages, increase capital market access through our issue of long-term bonds to enhance accessibility of mortgages, and enhance risk management to form the bedrock for strong risk management practices at the core of our business of mortgage refinancing. Our business philosophy is built on the four pillars of Innovation, Integrity, Inclusion and Identity.

STRENGTHENING OF CORPORATE GOVERNANCE

The Board of Directors in November 2015 approved the appointment of four (4) distinguished independent Directors. The appointments were approved by the Central Bank of Nigeria (CBN) on February 18, 2016. The appointment is further demonstration of NMRC's commitment to upholding global best practices in Corporate Governance exceeding the standards of two (2) independent directors specified in the relevant code of governance applicable to institutions in NMRC's category.

CAPACITY BUILDING FOR DIRECTORS AND SENIOR MANAGEMENT STAFF OF NMRC

In line with our commitment to building capacity for the effective governance of the company, a high impact training was organized for the Directors and senior management facilitated by Dun and Bradstreet, a reputable risk management consulting firm. It focused on Corporate Governance, Risk Management and Compliance with sessions designed to cement the board's critical role in establishing appropriate risk appetite, risk culture and the desired "tone at the top" for NMRC in line with their oversight function. The Directors also discussed Money laundering and terrorism financing risks in mortgage financing / refinancing and the control/preventive measures that should be put in place to avoid financial and reputational risk exposures arising from inadequate management of Money laundering and risks.

BOND ISSUANCE AND RATING

NMRC successfully issued a 15-year 8 billion Naira Series 1 Bond with a coupon rate of 14.9% under its N140b Medium Term Note Programme. The Bond which was guaranteed by the Federal Government of Nigeria received "AAA" rating by Global Credit Rating and was 105.5% subscribed. The Company has continued to retain its rating of BBB+. The NMRC listed its N8.0bn 15 Year, 14.9% Series 1 Bond under the N140bn Medium-Term Note Programme on the prestigious platform of FMDQ OTC Securities Exchange on 30th September, 2015 and was subsequently listed on the Nigerian Stock Exchange in December 2015.

MORTGAGE REFINANCING BUSINESS

The refinancing activities commenced on 31st August, 2015 with Imperial Homes Mortgage Bank Ltd as the first Primary Mortgage Lender member bank to be refinanced. During the year we refinanced the mortgage portfolios of 3 member banks to the tune of N1.8 billion. The refinancing of the portfolios of 110 loans is expected to enable the beneficiary banks to generate a further >100 new mortgages. The Company only refinanced the mortgage portfolio of its member Banks which conformed with NMRC's Uniform Underwriting Standards. The desire of the Company to increase its refinancing activities was limited by its obligation to comply with the approved Uniform Underwriting Standards.

Our strict adherence to the Uniform Underwriting Standards and the application of sound Risk Management principles ensured a zero Non-performing loan in our books.

BUILDING CAPACITY IN THE MORTGAGE FINANCE SECTOR

In line with the NMRC's objectives and capacity building initiatives for the housing market in Nigeria, we organized a two- day workshop on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) for Compliance staff of our member Primary Mortgage Banks (PMBs).The goal of the workshop was to reinforce knowledge/skills of the effective prevention, detection, monitoring and control of Money Laundering risks inherent in mortgage finance business, in line with international standards and global best - practice.

STAKEHOLDERS ENGAGEMENT

In recognition of the important role played by other stakeholders in increasing accessibility and stability to the housing market in Nigeria, the NMRC organized stakeholders summit that brought together the major players in the housing sector to fashion out solutions to removing barriers to home ownership in Nigeria. The various engagements are yielding positive results with the signing of MOUs with Governments of three (3) States in 2016.

INVESTMENT IN INFORMATION COMMUNICATION TECHNOLOGY INFRASTRUCTURE

The Company has enhanced its Information Communication Technology (ICT) infrastructure through major investments in a Mortgage Market System. The system is designed to provide an integrated mortgage market that interfaces with the IT systems of NMRC member Banks for seamless origination of mortgages, approval, disbursement, refinancing, repayment and reporting. The Company has also collaborated with the Bureau of Statistics for the collation, maintenance and analysis of housing market information. A mortgage market Information Portal (MMIP) is also being developed for the benefit of all stakeholders in the mortgage sector.

AWARDS AND RECOGNITION

Our company also received awards and recognitions from reputable institutions during the financial year under review. These institutions include FMDQ, the African Union for Housing Finance (AUHF) among others.

OUTLOOK FOR THE FUTURE

Despite the expectation of depressed crude oil prices and adverse impact on the economy in 2016, we are confident that the outlook for our company will remain bright. We expect steady growth in our core business of mortgage refinancing as more NMRC member Banks have indicated strong interest in the refinancing of their mortgage portfolios. Some non-member NMRC Primary Mortgage Banks including those owned by State Governments have indicated interest in investing in NMRC through the 2nd tranche of our equity raise in order to benefit from the liquidity and longer tenor that NMRC refinancing facility provides.

The NMRC is also well positioned to provide a veritable platform for the realisation of one of the cardinal programmes of the Federal and State Governments, which is the increase in home ownership for the citizens. Our growing partnership with the real estate developers, Governments, Primary Mortgage Lenders, and critical stakeholders is expected to harness the value chain in the housing sector towards reducing the huge housing deficit in the country with NMRC as a dominant partner and a strong enabler.

While the interest rate is expected to rise as a result of inflationary pressure, NMRC will ensure that the timing of its bonds issuance is properly managed to avoid over crowding and excessive interest rate.

Charles Inyangete, PhD

MD/Chief Executive Officer

''The issuance of bond by NMRC and subsequent listing on FMDQ, mark essential steps towards development of not only the corporate bond market in Nigeria, but also the Nigerian housing market through the creation of long term funding for mortgage financing''

Mr. Bola Onadele-Koko,
MD/CEO of FMDQ

Board of Directors

1. **Charles C. Okeahalam, PhD**
   Chairman of the Board
2. **Charles Inyangete, PhD**
   MD/Chief Executive Officer
3. **Kehinde Ogundimu**
   ED/Chief Financial Officer
4. **Chika P. Akporji, PhD**
   ED/Policy, Strategy & Partnership
5. **Herbert Wigwe**
   Non Executive Director
6. **Fatima Wali-Abdurrahman**
   Independent Non Executive Director

Board of Directors (continued)

7. **Adeniyi A. Akinlusi**
   Non Executive Director

8. **Charles Adeyemi Candide - Johnson** (SAN, FCI. Arb)
   Independent Non Executive Director

9. **Uche Orji**
   Non Executive Director

10. **Femi Johnson, DBA**
    Non Executive Director

11. **Anino Emuwa, DBA**
    Independent Non Executive Director

12. **Razack Adeyemi Adeola**
    Non Executive Director

Board of Directors (continued)

1. Charles C. Okeahalam, PhD
Chairman of the Board

Charles Okeahalam co-founded AGH Capital in 2002. AGH Capital is an investment holding company with holdings in the private equity, mining, marine and property sectors. Charles Okeahalam has strategic and operational experience in capital markets, fund management and infrastructure finance and has served as an advisor to a number of central banks and governments in sub-Saharan Africa. He has also served as a director of several companies including ABSA, Sun International, South African Airways and the Bond Exchange and as chairman of Societe Generale Bank Nigeria (SGBN)/ Heritage Bank from 2010 to 2012. He is a leading economist and was a professor of banking and finance at the University of the Witwatersrand in Johannesburg, South Africa. He earned a Ph. D in Econometrics, from the University of London in 1991 and in 2010, a D.Sc in Financial Economics from the University of Exeter for contributions to the study of banking and finance in Africa. He is a Houblon-Norman Senior Fellow of the Bank of England.

2. Charles Inyangete, PhD
MD/Chief Executive Officer

Professor Charles Inyangete is a leading and seasoned Financial Services practitioner with over 20 years proven extensive international expertise and experience in Banking & Finance, Capital Markets development, Financial/ Economic Reforms, Financial Innovation, Risk Management Strategies, International Corporate Finance, Investment Banking, Portfolio Management, Privatization & Corporate Restructuring. He served from 2001 to 2008 as an independent Non-Executive Director & Chairman of the Strategy & Risk Management Committee of the Board of Exim Bank and Member of the Working Group for the development of Tanzania's Mortgage Refinance Facility. He was the founding Executive Chairman of Vertex Financial Services where he spear-headed the merger of Vertex with African Harvest, Johannesburg Stock Exchange (JSE) listed company in 1998.

Professor Inyangete holds a PhD in Finance (1991) for the study of risks, returns, market-making and the structure of the UK Securities market post 'Big Bang' from the University of Strathclyde, Glasgow, United Kingdom. He has developed various tools for financial market intelligence and performance benchmarks including Risk Assessment of Financial Institutions and Local Government Authorities.

Charles Inyangete possesses first class analytical skills, the judgement required to drive financial/economic reforms, convert complex financial and investment challenges into clear choices, a proven track record of developing capital markets, implementing financial models and products, contributing to regional financial and economic reforms.

3. Kehinde Ogundimu
ED/Chief Financial Officer

Mr. Kehinde Ogundimu holds a Bachelor of Engineering (B.Eng Honors) degree in Electrical Engineering from the University of Ibadan and obtained an MBA from the University of Lagos, Nigeria. He is a seasoned professional with over 20 years' work experience in financial services (secondary mortgage and diversified banking), energy and public accounting. He started his career at PricewaterhouseCoopers and subsequently worked in various capacities at Texaco Overseas (now Chevron Nig. Ltd) in Nigeria and in the Washington DC region at Pepco Energy Services, Freddie Mac, Fannie Mae and finally at Capital One Bank, where he was the Head of Debt, Derivatives and Securitization before joining NMRC.

Mr. Ogundimu is an associate member of the Institute of Chartered Accountants of Nigeria (ACA), a member of the American Institute of Certified Public Accountants (CPA), a Chartered Financial Analyst (CFA) Charterholder.

4. Chika P. Akporji, PhD
ED/Policy, Strategy & Partnership

Dr. Chika Akporji is an accomplished development finance professional with a strong track record of managing complex national programmes to significant development impact. Her most recent success is coordinating the operationalization of the Nigeria Mortgage Refinance Company (NMRC), set up to grow the primary and secondary mortgage markets in Nigeria and unlock the multiplier effects of increased home ownership on the Nigerian economy.

Prior to her current position at the NMRC she had served as Senior Advisor to the former Nigerian Minister of Finance and Coordinating Minister of the Economy, and former World Bank Group Managing Director, Dr. Ngozi Okonjo-Iweala. Before her return to Nigeria Dr. Akporji had had a successful 13-year career at the World Bank headquarters in Washington DC, where she worked on city development strategies (CDS) and slum upgrading (SU) programmes of several cities under the Cities Alliance programme;

With several publications to her credit Dr. Akporji holds a first degree in English and Modern Arabic Studies from University College, Dublin, Ireland, and a doctorate in Comparative Literature from the University of Nigeria, Nsukka, Nigeria. She has also attended several professional training courses and has received certifications from institutions such as the World Bank Institute, Harvard University and the School of Oriental and African Studies, London.

5. Herbert Wigwe
Non Executive Director

Mr. Wigwe started his professional career with Coopers and Lybrand Associate, an international firm of chartered accountants. He spent over 10 years at Guaranty Trust Bank where he managed portfolios cutting across financial institutions, local corporates and multinationals. He left Guaranty Trust Bank as an Executive Director to co-lead the transformation of Access Bank Plc in March 2002 as Deputy Managing Director. He was appointed Group Managing Director/CEO effective 1 January 2014.

He is an alumnus of Harvard Business School's Executive Management Programme. He holds a Masters degree in Banking and International Finance from the University College of North Wales, a Masters degree in Financial Economics from the University of London and a Bachelor of Science degree in Accounting from University of Nigeria, Nsukka. He is also a Fellow of the Institute of Chartered Accountants of Nigeria and a recepient of an honorary Doctorate Degree from the University of Port Harcourt. He is the Chairman of The Access Bank (UK) Ltd.

6. Fatima Wali-Abdurrahman
Non Executive Director

Mrs. Fatima Wali-Abdurrahman is a professional architect with over 30 years' post-qualification experience. She obtained her B.A in Architecture & Urban Studies from the University of Minnesota, USA in 1983. In 1987, she obtained her M.Sc (Architecture) from the University College, London. She currently serves as the Chief Executive Officer of Filmo Group of Companies, a position she has held since 1994.

In her capacity as the CEO of Filmo Group, she oversees the Group's Property Development, Real Estate and Facilities Management interests. Through its subsidiaries, the Group has successfully designed and constructed residential houses, hotels and commercial buildings across Nigeria, and especially in Lagos and Abuja.

Mrs.Fatima Wali-Abdurrahman has served as Board member of various companies across the financial services, manufacturing and oil & gas industries in Nigeria. She has also served as a member of the Governing Council of the Lagos State University, and a Trustee of the Child Life Line, a Non-Governmental Organisation.

She has also served as member, panellist and chairperson of a number of committees, panels, task forces and working groups in Nigeria and beyond. Some of these include: The Insurance Sector Reform Committee of the Bureau of Public Enterprises (Member); the Presidential Committee on Flood Relief and Rehabilitation (Member); and Harvard Business School, Africa Business Conference on Real Estate (Panelist) to mention a few.

7. Adeniyi A.Akinlusi

Non Executive Director

Mr Akinlusi holds a B.Sc (Accounting) from University of Ilorin and a Masters of Business Administration (MBA) from University of Lagos. He is a multiple award winning banker with extensive experience in banking, corporate turnaround and transformation. After over 20 years of diversified banking experience in Corporate, Retail, Branch, Regional, Oil and Gas, Public Sector and Mortgage banking, he retired from Intercontinental Bank (now Access Bank) as a General Manager.

He is a Fellow (FCA) of the Institute of Chartered Accountants' of Nigeria (ICAN), Fellow (FCTI) of the Chartered Institute of Taxation of Nigeria (CITN), Fellow (FICA) of the Institute of Credit Administration (ICA), Fellow (FIAPM) of the Association of Investment Advisers and Portfolio Managers and Honorary Senior Member of the Chartered Institute of Bankers of Nigeria (H.C.I.B). He is also an Alumnus of Harvard Business School (HBS) Boston, U.S.A., the International Institute for Management Development (IMD), Lausanne, Switzerland, and Lagos Business School(LBS), Lagos.

Mr Akinlusi is presently, the Managing Director/ Chief Executive of TrustBond Mortgage Bank Plc.

8. Charles Adeyemi Candide - Johnson (SAN, FCI. Arb)

Non Executive Director

Mr. Charles Adeyemi Candide-Johnson (SAN, FCI ARB) is Senior Partner at Strachan Partners, a leading commercial law firm with offices in Lagos and Abuja, Nigeria and substantial practice across the nation. He was called to the Nigerian Bar in July, 1984 and in the same year received his LLM Degree from the University of London. He was conferred with the rank of a Senior Advocate of Nigeria in September 2003.

Between 1984 and 1990, he was Counsel in the leading chambers of Job B. Majiyagbe SAN, in Kano, Nigeria. In 1990, he moved to Lagos to establish the firm's practice, and in 1994, led the founding of Strachan Partners.

Mr. Candide-Johnson has authored several scholarly papers and leading textbooks on arbitration in Nigeria. He has acted either as counsel or as arbitrator in several domestic and international commercial arbitrations in the maritime, petroleum and construction industries. He has also made presentations on arbitration in Nigeria in several international fora. He brings to NMRC significant experience in Corporate governance practices.

9. Uche Orji

Non Executive Director

Mr Uche Orji is the Managing Director & Chief Executive Officer of the Nigeria Sovereign Investment Authority (NSIA). He brings a wealth of global experience in the financial services sector in his role as pioneer Managing Director & Chief Executive Officer of the NSIA.

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 spent 6 years at JP Morgan Securities in London, from 2001-2006, rising from the post of Vice President to Managing Director within the Equities division. Prior to JP Morgan, Uche Orji was at Goldman Sachs Asset Management, London from 1998-2001, as Analyst/Portfolio Manager. Uche 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, Uche Orji worked at Diamond Bank Plc., Lagos Nigeria and Arthur Andersen & Co.

Mr. Orji was a regular commentator for all major publications and also provided strategic advice to the management of companies such as Intel Electronics, Taiwan Semiconductor Manufacturing Company, Samsung Electronics and Texas Instruments. He also advised several global portfolio management firms and Sovereign Wealth Funds in his role as global coordinator in the Equities Division. He has co-authored more than 200 research pieces in the Semiconductor sector and broader technology investment sectors.

10. Femi Johnson, DBA

Non Executive Director

Dr. Femi 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), a Fellow (FICA) of the Institute of Credit Administration, a 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 a graduate of the Harvard Business School Advanced Management Program, and he holds a DBA (Doctor of Business Administration) degree from the Cranfield University, United Kingdom in Economics and Finance. He also holds an MBA degree from the Lagos Business School, and had previously obtained an MBA from the University of Ado-Ekiti.

Prior to becoming the CEO of Homebase Mortgage Bank, Dr. Femi 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.

11. Anino Emuwa, DBA

Non Executive Director

Dr. Anino Emuwa is an international management consultant with expertise in small business finance and entrepreneurship. With over 20 years' experience in business consulting, commercial banking, and research in Africa and Europe, Anino Emuwa currently serves as a member of the Institute of Directors, UK and the Women Professional Network Group, France.

Her Corporate Banking experience includes membership of Banks' Credit Committees and branch management in Nigeria. This is complemented by diverse experience gained from running consultancy business in several countries across Africa and Europe. Dr. Anino holds a B.Sc. Honours degree in Monetary Economics of the London School of Economics & Political Science, an MBA from Cranfield School of Management and a doctorate degree in Business Administration from Nottingham Business School, UK..

Anino Emuwa serves as Director of several small businesses and speaks both English and French fluently.

12. Razack Adeyemi Adeola

Non Executive Director

Mr. Yemi Adeola is presently the Managing Director/Chief Executive of Sterling Bank Plc. His banking career started at Citibank Nigeria Ltd, where he worked between August 1988 and June 2003 in various capacities including chief Legal Counsel and Executive Director, Commercial Banking, Public Sector and Infrastructure. He later moved on to Trust Bank of Africa Ltd, where he served as Deputy Managing Director between June 2003 and December 2005. Following the concluded merger of Trust Bank with four other banks, he became Executive Director, Corporate and Commercial Banking of Sterling Bank Plc in January 2006.

Prior to his foray into Banking and Finance, he had worked as a Consultant in Pricewaterhouse Coopers, Lecturer- Lagos State University (Law Faculty) and also had a stint of Law practice.

Yemi Adeola holds a Bachelor of Law (LLB) degree from the University of Ife and Master of Law (LLM) degree (with specialization in law of secured credit transactions and international economic law) from the University of Lagos, Nigeria. He is an alumnus of Harvard Business School, Stanford Business School, Saïd Business School, Oxford University and Wharton School, University of Pennsylvania. He is a John F. Kennedy Scholar.

"NMRC signed MOU with National Bureau of Statistics ..., the MOU would enable the NBS provide quality and accurate data for the housing sector"

The Statistician-General, Dr Yemi Kale

Directors' Report

Directors' Report

for the year ended 31 December 2015

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 December 2015.

(A) LEGAL FORM AND PRINCIPAL ACTIVITY

Nigeria Mortgage Refinance Company Plc ("the Company") was incorporated on 24 June 2013 as a public limited 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 non-deposit taking financial institution.

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 and by issuing long term bonds in the capital market, securitising or purchasing 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 2015	31 December 2014
Gross earnings	**3,133,501**	1,183,946
Profit before income tax	**487,350**	160,149
Income tax expense	**(4,825)**	-
Profit after taxation	**482,525**	160,149
Other comprehensive income for the year, net of income tax	**237,951**	-
Total comprehensive income for the year	**720,476**	160,149
Earnings per share (Basic and diluted) - kobo	**27 k**	55 k

(C) DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

		No. of shares held	% Holding
Ngozi Okonjo-Iweala, PhD *	- Chairman	-	-
Mr. Herbert Wigwe**	- Interim Chairman	-	-
Professor Charles Inyangete, PhD	- Chief Executive Officer	-	-
Kehinde Ogundimu***	- Executive Director	-	-
Chika Akporji, PhD***	- Executive Director	-	-
Razack Adeyemi Adeola	- Non-Executive Director	-	-
Uche Orji	- Non-Executive Director	-	-
Hassan Musa Usman*******	- Non-Executive Director	-	-
Femi Johnson, DBA	- Non-Executive Director	-	-
Joseph Magaji Azi****	- Non-Executive Director	-	-
Omoniyi Fagbemi*****	- Non-Executive Director	-	-
Sonnie Ayere******	- Non-Executive Director	-	-

* *Resigned as Chairman and Director on May 26, 2015*
** *Appointed as Interim Chairman effective May 26, 2015*
*** *Appointed as a Director effective November 26, 2015*
**** *Resigned as a Director effective May 26, 2015*
******Appointed as a Director effective May 26, 2015*
****** Resigned as a Director effective June 30, 2015

(D) DIRECTORS' INTEREST IN CONTRACTS

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

(E) ANALYSIS OF SHAREHOLDING

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

	31 December 2015		31 December 2014	
Shareholders	**Number of holdings**	**Percentage of holdings (%)**	Number of holdings	Percentage of holdings (%)
Nigerian Sovereign Investment Authority	400,000,000	22.7	400,000,000	22.7
Ministry of Finance Incorporated	300,000,000	17.02	300,000,000	17.02
Aso Savings & Loans Plc	125,000,000	7.09	125,000,000	7.09
FHA Homes Limited	125,000,000	7.09	125,000,000	7.09
Homebase Mortgage Bank Limited	125,000,000	7.09	125,000,000	7.09
TrustBond Mortgage Bank Plc	125,000,000	7.09	125,000,000	7.09
Sterling Bank Plc	75,000,000	4.26	75,000,000	4.26
Abbey Mortgage Bank Plc	50,000,000	2.84	50,000,000	2.84
Access Bank Plc	50,000,000	2.84	50,000,000	2.84
Imperial Homes Bank Limited	50,000,000	2.84	50,000,000	2.84
Resort Savings & Loans Plc	50,000,000	2.84	50,000,000	2.84
Heritage Bank Limited	37,500,000	2.13	37,500,000	2.13
Haggai Mortgage Bank Limited	25,000,000	1.42	25,000,000	1.42
Infinity Trust Mortgage Bank Plc	25,000,000	1.42	25,000,000	1.42
Jubilee Life Mortgage bank Limited	25,000,000	1.42	25,000,000	1.42
MayFresh Mortgage Bank Limited	25,000,000	1.42	25,000,000	1.42
New Prudential Mortgage Bank Limited	25,000,000	1.42	25,000,000	1.42
Nigeria Police Mortgage Bank Plc	25,000,000	1.42	25,000,000	1.42
Platinum Mortgage Bank Limited	25,000,000	1.42	25,000,000	1.42
Refuge Home Savings & Loans Limited	25,000,000	1.42	25,000,000	1.42
Stanbic IBTC Investment	25,000,000	1.42	25,000,000	1.42
SunTrust Savings & Loans Limited	25,000,000	1.42	25,000,000	1.42
	1,762,500,000	100	1,762,500,000	100

31 December 2015

Range	**Number of Shareholders**	**% of Share-holders**	**Number of Holdings**	**% of Share-holders**
1,000,000- 50,000,000	**15**	**68**	**487,500,000**	**28**
50,000,001-100,000,000	**1**	**5**	**75,000,000**	**4**
100,000,001-500,000,000	**6**	**27**	**1,200,000,000**	**68**
TOTAL	**22**	**100**	**1,762,500,000**	**100**

31 December 2014

Range	Number of Shareholders	% of Shareholders	Number of Holdings	% of Shareholders
1000,000- 50,000,000	15	68	487,500,000	28
50,000,001-100,000,000	1	5	75,000,000	4
100,000,001-500,000,000	6	27	1,200,000,000	68
TOTAL	22	100	1,762,500,000	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 Management Framework details the responsibility and accountability of the Board of Directors ("the Board"), Board Credit Committee, Board Risk Management Committee, Board Investment Committee, Board Audit Committee, Management Credit Committee, Management Risk and Compliance 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 which will serve as industry standard for granting home mortgage loans to borrowers that will qualify for NMRC refinancing, thereby promoting efficiency and mitigating the mortgage financing risks in the markets 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 good 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 is implementing a state-of-the-art and world class ICT mortgage market infrastructure that will enhance 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 Institutions (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 seasoned (in line with the UUS).

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 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 its 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's 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 compliant regulatory returns and reports in strict accordance with specifications by 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 law 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 to 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 evaluations on the adequacy of the 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.

(xi) Internal Control Systems

NMRC 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) The Company's management ensures 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 will also be 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 on 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 Board of Directors. The results of audits are presented to the Board Audit Committee, which meets four times a year.

b) The audit plan and audit reports are also submitted to the Board and the respective units to inform 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.

(f) Property and equipment

The information relating to property and equipment is given in Note 9 to the financial statements. In the opinion of the directors, the net realisable value of the property and equipment is not less than the value shown in the financial statements.

(g) Donations and charitable gifts

The Company made donations amounting to N1, 280,000 to an orphanage, the Holy Family Sisters of the Needy, during the year (31 December 2014: nil).

(h) Human Resources

The Company commenced operations on March 1st, 2015 and had nineteen (19) employees at the end of the year. 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 2015 (December 2014: nil)

Analysis of women employed during the year (31 December 2015)

Description	Number	% of Total staff	% of Total new hire
Female new hire	6	31.58%	40.00%
Male new hire	9	47.37%	60.00%
Total new hire	15	78.95%	100.00%
Total Staff	19		
Female as at December 2015	9	47.4%	
Male as at December 2015	10	52.6%	

(i) Events after the reporting date

The Company has commenced the process to raise additional capital through issue of shares. The Company has received expression of interests from reputable financial institutions in respect of the second tranche of the equity capital raising exercise.

(j) Auditors

The Auditors, KPMG Professional Services, have indicated their willingness to continue in office as auditors in accordance with section 357(2) of the Companies and Allied Matters Act of Nigeria.

BY ORDER OF THE BOARD,

Damilola Macaulay
For and on behalf of
DETAIL Nominees
Company Secretary
FRC/2014/00000004789
8 DCS Street

Lekki Phase 1, Lagos

Corporate Governance Report

Corporate Governance Report

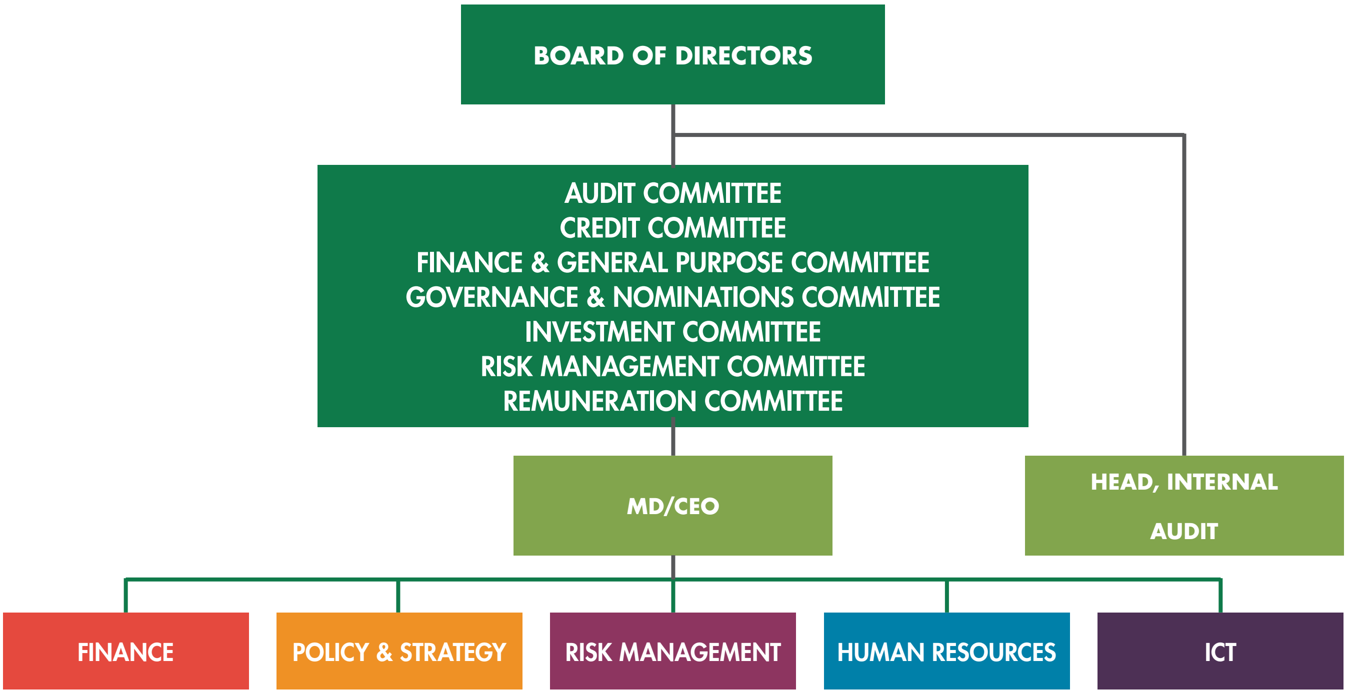
The Nigeria Mortgage Refinance Company Plc. (NMRC) is committed to the best Corporate Governance Practices. The Company believes this is critical to the creation and delivery of long-term sustainable value in a manner consistent with its obligations as a responsible corporate organization.

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 2014, 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.



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, Professor Inyangete, leads the Management Team of the NMRC. He is supported by a competent management team of Executive Directors, One Senior Vice President, six Assistant Vice Presidents, the Human Resources Manager/ Head of Administration, and other supporting staff.

MANAGEMENT COMMITTEES

Governance of the affairs of the Nigerian Mortgage Refinance Company at the management level is supported by the following committees:

1. Management Risk Committee (MRC)
2. Management Credit Committee (MCC)
3. Asset and Liability Management Committee (ALCO)
4. IT Steering Committee

THE BOARD OF DIRECTORS

In the course of the financial year ended 31st December 2015, the affairs of the Company were superintended by its Board which was comprised of a Non-Executive Chairman, five (5) Non-Executive Directors, and three (3) Executive Directors as outlined below:

Ngozi Okonjo-Iweala, PhD*	*Chairman*
Herbert Wigwe	*Interim Chairman*
Charles Inyangete, PhD	*Chief Executive Officer*
Chika Akporji, PhD**	Executive Director
Kehinde Ogundimu**	*Executive Director*
Adeyemi Adeola	*Non-Executive Director*
Joseph MagajiAzi***	*Non-Executive Director*
Omoniyi Fagbemi****	*Non-Executive Director*
Femi Johnson, DBA	*Non-Executive Director*
Uche Orji	*Non-Executive Director*
Sonnie Ayere*****	*Non-Executive Director*
Hassan Musa Usman******	*Non-Executive Director*

* *Resigned as Chairman effective 26th May 2015*
** *Appointed as a Director effective 26th November 2015*
*** *Resigned as a Director effective 26th May 2015*
**** *Appointed as a Director effective 26th May 2015*
***** *Resigned as a Director effective 30th June 2015*
****** *Resigned as a Director effective 25 February 2016*

The NMRC Board has since been re-constituted and is currently comprised of an Independent Non-Executive Chairman, three(3) Independent Directors, six (6) Non-Executive Directorsand three (3) Executive Directors. The new members of the Board are:

Charles Okeahalam, PhD	Independent Non-Executive Chairman
Charles Candide-Johnson, SAN, FCI. Arb	Independent Non-Executive
Fatima Wali-Abdurrahman	Independent Non-Executive
Anino Emuwa DBA	Independent Non-Executive
Adeniyi A. Akinlusi	Non-Executive Director

STATUTORY AUDIT COMMITTEE

The Statutory Audit Committee was established following the Company's first annual general meeting in 2015. In compliance with section 359 (4) of the Companies and Allied Matters Act 1990, the Committee is comprised of three (3) Non-Executive Directors and three (3) shareholder representatives:

S/N	COMMITTEE MEMBERS
a.	Uche Orji (Chairman)
b.	Hassan Usman***
c.	Femi Johnson, DBA
d.	Sola David-Borha*
e.	Adeniyi Akinlusi**
f.	Banjo Obaleye

* *Resigned effective12th January 2016*

** *Appointed as a Non-Executive director effective 28th April 2016*

*** *Resigned effective 25th February 2016*

The responsibilities of the Committee include:

a. Ensuring that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;

b. Reviewing the scope and planning of audit requirements;

c. Reviewing findings of management in conjunction with the external auditors;

d. Viewing the effectiveness of the Company's system of accounting and internal control;

e. Making recommendations to the Board regarding the appointment, removal and remuneration of the external auditors of the company; and

f. Authorizing the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee.

The key highlight of the Committee activities during the period under review includes the review and approval of the Financial Statements for the year ended 31st December, 2015; the review and recommendation for approval the Internal Audit Manual, the 2015 Compliance Program, NMRC Internal Control Framework and the Anti-Money Laundering Policy Manual.

BOARD COMMITTEES

The Board carries out its oversight functions through its standing committees. The purpose, composition, structure, functions and scope of authority for each committee are as determined by its terms of reference. The Board, in line with governance best practices has delegated some of its statutory powers to its committees which have been constituted in consideration of the skills and competencies of each member and mandated to carry out such role/ functions assigned by the Board, in a manner that enables the Board to focus on more strategic business and operational matters. The committees render regular reports at the Board meetings and make recommendations to the Board who makes the final decisions on all matters relating to the Company's affairs. In line with best practice, the Chairman of the Board is not a member of any of the Board committees. In addition to the Statutory Audit Committee, the Board has seven (7) standing committees namely:

- Board Audit Committee
- Board Credit Committee
- Board Finance and General Purpose Committee
- Board Governance and Nominations Committee
- Board Investment Committee
- Board Risk Management Committee
- Board Remuneration Committee

BOARD AUDIT COMMITTEE

The members of the Board Audit Committee for the period under review are:

S/N	COMMITTEE MEMBERS
a.	Uche Orji (Chairman)
b.	Femi Johnson, DBA
c.	Hassan Usman*

* *Resigned effective 25th February 2016*

The committee is tasked with the following responsibilities:

a. Reviewing the financial reporting process, the internal control system and management of financial risks, audit process and the process for monitoring the company's compliance with statutory and regulatory guidelines;

b. Reviewing the scope and planning of audit requirements;

c. Reviewing the effectiveness of the Company's Accounting Systems, Compliance with Reporting Standards and Internal Control;

d. Submission of recommendations to the Board in relation to the appointment, removal and remuneration of the external auditors of the company;

e. Monitoring the integrity of the company's internal controls over financial reporting;

f. Monitoring the qualifications, independence and performance of the company's external auditor and internal auditing function;

g. Review of annual audited financial statements and half yearly unaudited statements with management and external auditors;

h. Review of a summary of the Whistle blowing reports submitted by the Head of Internal Audit; and

i. Any other duty assigned as approved by the Board.

During the period under review, the committee reviewed and recommended for Board approval the Financial Statements for the year ended December 2015, the Internal Audit Plan and Internal Audit Charter; and recommended the execution of Memorandum of Understanding with pilot states for the implementation of the Model Mortgage and Foreclosure Law.

BOARD CREDIT COMMITTEE (AD HOC)*

The members of the Board Credit Committee during the period under review are:

S/N	COMMITTEE MEMBERS
a.	Uche Orji (Chairman)
b.	Femi Johnson, DBA
c.	Yemi Adeola

The Committee is tasked with the following responsibilities:

a. Reviewing the credit and investment policies for the Company.

b. Evaluating the Company's refinancing performance bi-annually

c. Reviewing applications for loans and make decisions upon such applications within the authority delegated to the committee.

d. Periodically reviewing management's strategies and activities for managing credit risk.

e. Overseeing management's administration of the Company's credit portfolio.

f. Reviewing applicable stress testing results periodically.

g. Monitoring the performance and quality of the Company's credit portfolio.

h. Monitoring and ensuring adherence to and compliance with limits set out in Company policy statements.

i. Reviewing and monitoring the effectiveness and application of credit risk management policies, standard and procedures.

The key highlight of the Committee during the period under review include the approval for management to commence the refinancing of the N10 Billion Legacy Loans Refinancing.

* This is an ad-hoc Committee which was set up pending the appointment of the Independent Non-Executive Directors.

The Committee has since been re-constituted.

Board Finance and General Purpose Committee

The members of theFinance and General Purpose Committee during the period under review are:

S/N	COMMITTEE MEMBERS
a.	Yemi Adeola (Chairman)
b.	Femi Johnson, DBA
c.	Herbert Wigwe

The committee is tasked with the following responsibilities:

a. Reviewing the Business Plan, proposed Annual Budget, and subsequent recommendations to the Board for approval;

b. Authorizing acceptable accounting and disbursement procedures for all NMRC funds;

c. Reviewing the integrity of the Financial Reporting System;

d. Ensuring that an appropriate internal control framework is established and maintained over the financial reporting process;

e. Reviewing significant corporate finance, solvency and tax compliance;

f. Annually review the Company's financial projections. The annual reviews are preceded by quarterly performance reviews by Executive Management. The reviews would entail quarterly review of capital and operating budgets and actual performances; and

g. Submitting recommendations to the Board on NMRC capital structure including but not limited to, allotment of new capital, debt limits and any changes to the existing capital structure.

During the period under review, the key highlight of the Committee's activity includes the review and recommendation to the Board for approval of the 2016 Budget; the Capitalisation and Asset Disposal Policy; and the Procurement Policy.

Board Governance and Nominations Committee

The members of theGovernance and Nominations Committee during the period under review are:

S/N	COMMITTEE MEMBERS
a.	Femi Johnson, DBA (Chairman)
b.	Uche Orji
c.	Hassan Usman*
d.	Charles Inyangete, PhD
*	*Resigned effective 25th February 2016*

This Committee is tasked with the following responsibilities:

a. Considering and recommending any proposed amendments to the Company's Memorandum and Articles of Association, any standing procedures of the Board and the terms of reference of the NMRC's Board Committees. The Committee will also review and recommend amendments to the Corporate Governance Code of NMRC;

b. Periodically reviewing the orientation processes for newly appointed members of the Board. The Committee also ensures Directors' continuing education programs;

c. Reviewing all legislative, regulatory and corporate organizational practices that might affect the NMRC's operations, and making recommendations to the Board; and

d. Making recommendations to the Board on corporate governance guidelines for NMRC (The Corporate Governance Code). The Committee is also mandated to review the Corporate Governance Code annually and evaluate companywide compliance.

The key highlight of the Committee during the period under review include the appointment of the Independent Non-Executive Directors to the Board.

BOARD INVESTMENT COMMITTEE

The members of the Investment Committee during the period under review:

S/N	COMMITTEE MEMBERS
a.	Hassan Usman (Chairman)*
b.	Uche Orji
c.	Femi Johnson, DBA
*	*Resigned effective 25th February 2016*

The responsibilities of the Committee include:

a. Reviewing and adopting the Investment Policy of the Company. This comprises the performance monitoring and evaluation of Investment Managers, Investments, and adherence to Markets guidelines. Adopt, periodically review and revise the Investment Policy scheme, investment objectives, asset allocation targets, investment guidelines and the Company's funds;

b. Confirming the level of compliance of investments with all provisions of applicable laws;

c. Overseeing the selection and evaluation of investment managers to invest and manage the Company's assets including taking appropriate action when an investment manager fails to meet mutually accepted performance standards or significantly violates the investment guidelines;

d. Overseeing the selection and evaluation of Funds Custodians, Investment Advisors or Consultants to the Company;

e. Overseeing the establishment and efficiency of corporate communication mechanisms for the dissemination of investment policies and guidelines; and

f. Making recommendations to the Board on proposed changes to the Company's Investment Policies and Guidelines.

The key highlight of the Committee during the period under review includes the recommendation to the Board for consideration the valuation report of the 2nd Equity Capital Raise.

BOARD RISK MANAGEMENT COMMITTEE

The members of the Risk Management Committee during the period under review are:

S/N	COMMITTEE MEMBERS
a.	Herbert Wigwe (Chairman)
b.	Uche Orji
c.	Femi Johnson, DBA

The responsibilities of the Committee include:

a. Reviewing and recommending for Board approval, the company's Enterprise Risk Management framework. This framework must be consistent with the vision, mission, and corporate strategy of NMRC;

b. Reviewing and making recommendations for the approval of the Board, the NMRC's risk philosophy, risk appetite, and overall risk management principles;

c. Reviewing and recommending for Board approval, policies and procedures for identifying, measuring and controlling risk;

d. Reviewingrisk reports on a regular and timely basis;

e. Monitoring the company's adherence to the requirements of the regulatory risk based supervision and subsequent migration to Basel II compliance;

f. Conducting quarterly reviews of the company's risk management, risk profile, and risk mitigation policies. The reviews will assist in the development and assessment of satisfactory Risk-Return Limits for the company's investments; and

g. Reviewing and recommending solutions to the Company's identified inherent and residual risks.

*Mr. Herbert Wigwe ceased to be the chairman of the Committee upon his appointment as Interim Chairman of the Board effective May 30, 2015.

BOARD REMUNERATION COMMITTEE

The members of the Remuneration Committee during the period under review:

S/N	COMMITTEE MEMBERS
a.	Femi Johnson, DBA (Chairman)
b.	Uche Orji
c.	Hassan Usman*
*	*Resigned effective 25th February 2016*

The responsibilities of the committee include:

a. Determining the policy for the remuneration (including benefits, pension arrangements and termination payments) of the chairman of the Board, the chief executive officer, the executive directors and the senior management of the Company;

b. Making recommendations on compensation structure for executive directors;

c. Setting and reviewing the remuneration policy and levels for employees of the Company;

d. Reviewing the ongoing relevance of the Company's remuneration policy;

e. Approving the design of, and determine targets for any performance related schemes for executive Directors; and

f. Overseeing any major changes in employee benefits structures throughout the Company.

The key highlight of the Committee during the period under review include the recommendation for members' approval, a revised compensation package for Independent Non-Executive Directors and a downward revision of the Non=Executive Director's compensation in line with economic realities.

ATTENDANCE OF BOARD AND BOARD COMMITTEE MEETINGS

The table below shows the frequency of meetings of the Board of Directors and Board Committees, as well as Members' attendance for the financial year ended December 31, 2015.

Directors	Role	Full Board	Board Audit Committee	Investment Committee	Risk Management Committee	Finance & General Purpose Committee	Credit Committee	Remuneration Committee	Governance & Nominations Committee
Meetings conducted in 2015		4	3	1	1	3	2	3	3
Ngozi Okonjo-Iweala, PhD*	Chairman	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Herbert Wigwe**	Non-Executive Director	2	N/A	N/A	N/A	2	N/A	N/A	N/A
Charles Inyangete, PhD	Managing Director	4	3	1	1	3	1	2	3
Yemi Adeola	Non-Executive Director	3	N/A	N/A	N/A	3	1	N/A	N/A
Femi Johnson,DBA	Non-Executive Director	4	2	1	N/A	3	1	2	3
Uche Orji	Non-Executive Director	4	3	1	1	N/A	2	2	3
Hassan Usman****	Non-Executive Director	4	3	1	1	N/A	N/A	1	3
Omoniyi Fagbemi	Non-Executive Director	3	N/A	N/A	N/A	N/A	1	N/A	N/A
Kehinde Ogundimu	Executive Director	4	N/A	N/A	N/A	N/A	2	N/A	N/A
Chika Akporji, PhD	Executive Director	3	N/A	N/A	N/A	N/A		N/A	N/A
Sonnie Ayere***	Non-Executive Director	0	0	N/A	N/A	0	N/A	N/A	N/A

**Ngozi Okonjo-Iweala, PhD resigned as Chairman and Director on May 30, 2015*

***Herbert Wigwe was appointed Interim Chairman effective May 30, 2015*

****Sonnie Ayere resigned as Director on June 30, 2015*

*****Resigned effective 25th February 2016*

N/A - Not Applicable

TENURE OF DIRECTORS

In order to ensure continuity, the tenure of the Non-Executive Directors (including Independent Non-Executive Directors) is a fixed term of four (4) years renewable twice i.e. a maximum of 12 years. This is in accordance with section 4.1 of the CBN Regulatory and Supervisory Framework for the Operations of a Mortgage Refinance Company. The tenure of the Chairman is a fixed term of three (3) years renewable for a further term of three (3) years; altogether a maximum of 6 years following which the Chairman shall exit the Board.

THE COMPANY SECRETARY AND ITS ROLE

The Company Secretary is a point of reference and support for all Directors of the Company; and regularly consults with the Directors to ensure that they receive prompt information.

The Company Secretary also assists the Board with the implementation of the NMRC Code of Corporate Governance, organizes Board meetings and ensures that the minutes of meeting of the Board clearly capture the discussions and decisions of the Board. It is also the responsibility of the Company Secretary to ensure that all regulations and policies of the Company including the Memorandum and Articles of Association and all relevant statues and regulations are complied with.

The Company Secretary ensures effective co-ordination between the Board, the Board Committees and management.

CERTIFICATION PURSUANT

To Section 60(2) of the Investment and Securities act, 2007

For the year ended 31st December 2015

We the undersigned hereby certify the following with regards to audited accounts for the year ended 31st December, 2015 that:

We have reviewed the report and to the best of our knowledge, the report does not contain:

a) Any untrue statement of a material fact or

b) Any omission of material fact, which would make the statement, misleading in light of the circumstance under which such statement was made

To the best of our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operations of the company as of, and for the periods presented in the report.

We are responsible for

a) Establishing and maintaining internal controls

b) Designing such internal controls to ensure that material information relating to company is made known to the officers within the company particularly during the period in which the periodic reports are being prepared

c) Evaluating the effectiveness of the company's internal controls 90 days prior to the report

d) Presenting in the report our conclusion about the effectiveness of the internal control based on our evaluation as of that date.

We have disclosed to KPMG and audit committee the following:

a) All significant deficiencies in the design or operation of internal controls which would adversely affect NMRC's ability to record, process, summarise and report financial data and have identified for KPMG any material weakness in internal controls

b) Any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls.

c) We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated on the 28th June 2016

Kehinde Ogundimu
Executive Director/CFO

Charles Inyangete PhD
Managing Director/CEO

Risk Management

RISK MANAGEMENT

Risk management is fundamental to the success of NMRC, consequently, the company has adopted comprehensive risk management framework as the bedrock of its business strategy and operating model. Our risk framework, which is built around governance, process and people, provides an overall enterprise-wide approach for effectively managing risk. We execute against our risk framework with the "Three Lines of Defence" risk management model. The "First Line of Defence" are the business areas that take risk on behalf of NMRC through their day-to-day business activities. As the business owner, the first line is responsible for identifying, assessing, managing and controlling risk, and for mitigating our overall risk exposure.

The first line formulates strategy and operates within the risk appetite and framework. The "Second Line of Defence" provides oversight of first line risk taking and management, and is comprised primarily of our Risk Management function. The second line assists in determining risk capacity, risk appetite, and the strategies, policies and structure for managing risks.

The second line plays the dual role of advising the first line and challenging the first line risk activities. The "Third Line of Defence" is our Internal Audit function. The third line provides independent and objective assurance to senior management and to the Board of Directors that first and second line risk management and internal control systems and its governance processes are well-designed and working as intended.

The scope of the Enterprise-Wide Risk Management Framework covers both financial and non-financial risks inherent in the overall business and operations of the company. The Risk Management function in NMRC is based on a proactive risk identification and mitigating steps adequately supported by an effective control framework. During the year, the company implemented several risk management initiatives which added to the range of risk management processes/tools that the company uses in managing risk. Some of the major initiatives include:

Development of the following risk policies and framework and approval by the Board of Directors:

Risk Management Framework

Risk Management Policy

Credit Policy

Asset and Liability Management Policy, and

Social and Environmental Risk Management Policy

Information Security Policy

Development of Refinancing Contractual documents which included the Master Purchase and Refinance Service Agreement (MPRSA), Supplement MPRSA, Security Deed and Side Agreement

Automation of Treasury Money Market activities using FINTRAK Application

Automation of Refinancing transactions using FINTRAK Credit Module Application

Organization and facilitation of the following awareness trainings/workshops on:

NMRC's Uniform Underwriting Standards (UUS) for all NMRC member Banks and other stakeholders

Mortgage Lending for all NMRC member Banks and other stakeholders

Anti-Money Laundering/Combating Financial Terrorism (AML/CFT) for all NMRC member Banks and other stakeholders

The Board Risk Management committee was also constituted during the period and held its maiden meeting on November 20, 2015.

These fully implemented initiatives formed the foundation/ basis of NMRC's risk management activities which were essentially aimed at ensuring sustainability, profitability and growth of the company. The approved risk management policies have been adopted as the guiding principles for the refinancing and investing activities in the company.

In line with its resolve to adopt leading practice risk management processes, the company automated the transaction processes of its core business activities through the deployment FINTRAK Treasury Application for all investment activity processing, and FINTRAK Credit Module for all mortgage refinancing processing during the year.

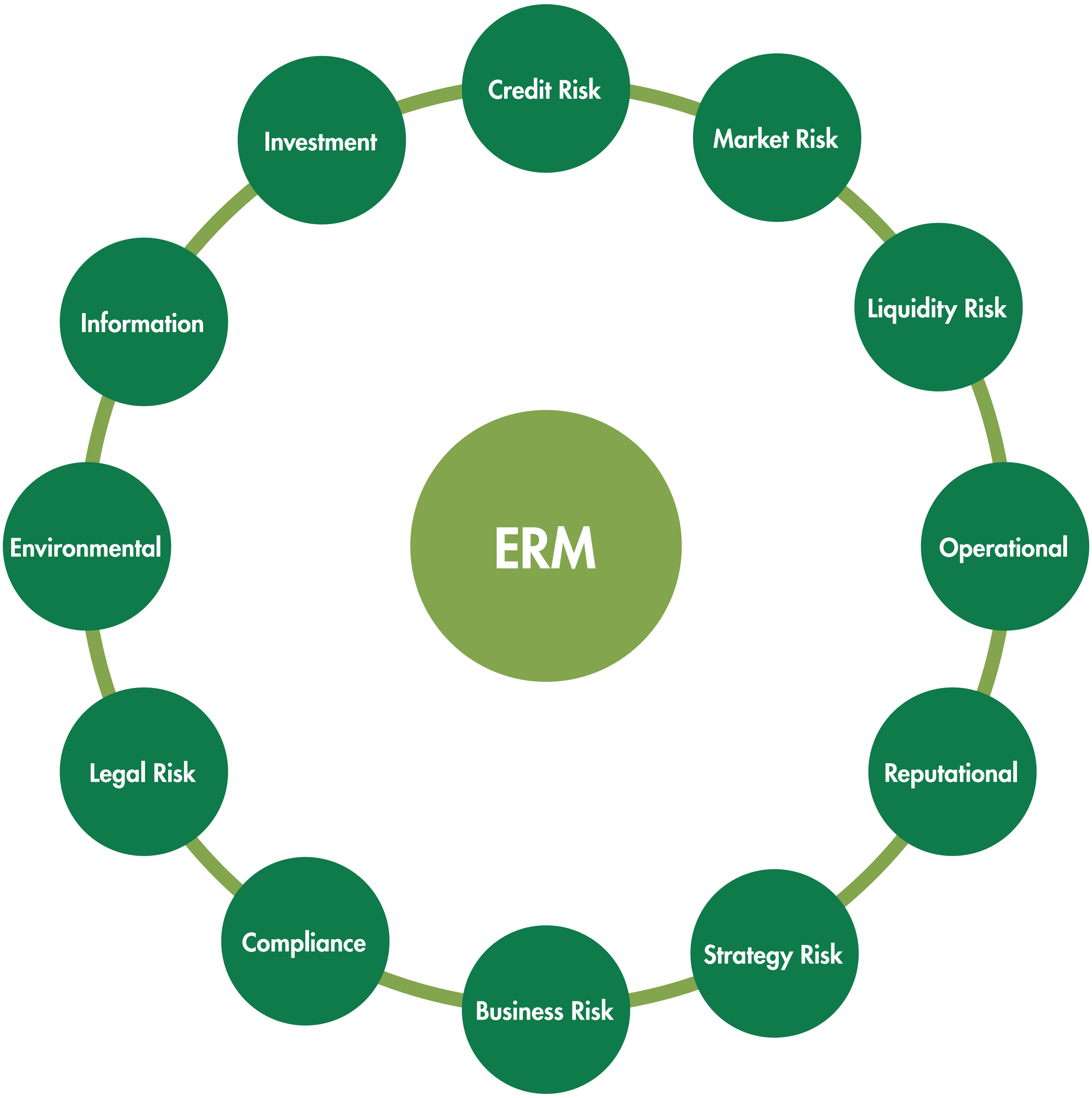
With the strategic mandate to build a housing market in the nation, NMRC executed series of mortgage awareness campaign and workshops to promote capacity building within the mortgage/housing industry. The workshops were facilitated by renowned international mortgage lending experts and the World Bank and Central Bank of Nigeria. NMRC also held AML/CFT training which served as an expository to the inherent high AML/CFT risk in the mortgage business.

Enterprise-wide Risk Management

Risk management in NMRC is designed to identify all possible risks in every aspect of the business and operations of the company. The risk management design helps the company to proactively identify key risks such as Credit Risk, Market & Liquidity Risk, Operational Risk, Reputational Risk, Legal Risk, Business Risk, Compliance Risk, Investment Risk, Information Security Risk, Strategic Risk and Political Risk in its business decisions and activities.

Business owners are primarily accountable for the risks they take; the risk function is independent and provides proactive support and control pillars to the businesses in order to deliver sustainable growth and profitability within the company's risk appetite.

NMRC's risk management architecture is designed in line with the ERM model.



NMRC's Risk Management Framework

The risk framework outlines the responsibilities and accountability of the Board of Directors ("the Board"), Board Credit Committee, Board Risk Committee, Board Investment Committee, Board Audit Committee, Management Credit Committee, Management Risk Committee, Asset and Liability Management Committee, Chief Executive Officer, the Head of Risk Management, Risk Management Department, Internal Audit Department and NMRC employees.

NMRC's risk management framework also 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 which serves as 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 markets as well as lead to more affordable home ownership in Nigeria. The Uniform Underwriting Standards will 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.

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 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 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.

Independent Board Appraisal Report

Ernst & Young
10th Floor, UBA House
57, Marina
Lagos, Nigeria

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Fax: +234 (01) 463 0481
ey.com

July19, 2016

The Chairman, Board of Directors
Nigeria Mortgage Refinance Company
Wing A, 5th Floor, Pent House, Clan Place
Plot 1386A, Tigris Crescent,
Maitama, Abuja
Nigeria

Dear Sir,

Independent Board Evaluation for the year ended 31st December 2015

We have completed our procedures for the appraisal of the Board of Directors of Nigeria Mortgage Refinance Company Plc's (NMRC) for the year ended 31st December 2015, in accordance with our letter of engagement dated 12th May 2016.

The field-work was performed between the 13th of June, 2016 and 24th of June, 2016. The scope of our work, related findings, and recommendations resulting from our procedures are provided in the detailed report attached.

We must emphasize that the scope of this engagement is different from an audit examination or review in accordance with any generally accepted auditing standards. The assignment was carried out for the purpose of compliance with Section 2.8.3 of the Central Bank of Nigeria Code of Corporate Governance 2014 and Part B Section 15.6 of Securities and Exchange Commission Code of Corporate Governance 2011. This report outlines our findings.

Ernst & Young

July 19, 2016.

Independent Board Appraisal (continued)

Report of External Consultant on the Board Appraisal

Ernst & Young was engaged to conduct an independent appraisal of the Board of Directors ("the board") of Nigeria Mortgage Refinance Company Plc (NMRC) for the year ended December 31st, 2015in compliance with the Central Bank of Nigeria (CBN Code) and Securities and Exchange Commission Code of Corporate Governance (SEC Code). The Codes mandate an annual evaluation of the board's performance, that of the committees, the chairman and individual directors

The focus of the exercise includes the composition and structure of the board and the board committees, the effectiveness of the board in its risk oversight and monitoring function, executive remunerations, transparency and disclosure.

Our approach entailed a comprehensive review of the company's board and board committees' meeting minutes, including the policies and procedures in place, analysis of the face to face interview with identified board members and senior management staff to determine the level of compliance with The CBN and SEC codes.

On the basis of the procedures we carried out, the board of NMRC mostly complied with the provisions of Central Bank of Nigeria (CBN) and Securities and Exchange Commission (SEC) Codes of Corporate Governance. Our detailed findings and specific recommendations for improvements have been articulated and included in a detailed report to the board.

Bunmi Akinde
Partner Advisory Services
FRC/2012/ICAN/00000000187

July 19, 2016.

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2015

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 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 regulations.

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:

Herbert Wigwe
Interim Chairman
FRC/2013/ICAN/00000001998
28 April 2016

Charles Inyangete PhD
Chief Executive Officer
FRC/2015/ICENNIG/00000011653
28 April 2016

Report of the Audit Committee

for the year ended 31 December 2015

TO THE MEMBERS OF NIGERIA MORTGAGE REFINANCE COMPANY PLC:

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Nigeria Mortgage Refinance Company Plc hereby report on the financial statements for the year ended 31 December 2015 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 2015 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.

Mr. Uche Orji
Chairman, Audit committee
FRC/2014/IODN/00000007036
28 April 2016

MEMBERS OF THE AUDIT COMMITTEE ARE:

1. **Uche Orji**	Non-executive Director	*Chairman*
2. **Banjo Obaleye**	Shareholder	*Member*
3. **Adeniyi A. Akinlusi***	Shareholder	*Member*
4. **Hassan Usman**	Non-executive Director	*Member*
5. **Femi Johnson, DBA**	Non-executive Director	*Member*
6. **Sola David-Borha****	Shareholder	*Member*

**Appointed as Non-executive Director effective April 28, 2016*
***Resigned effective Jan 12, 2016*

"Global Credit Ratings has affirmed the national scale long term rating of BBB+(NG) to Nigeria Mortgage Refinance Company Plc and assigned the national scale short term rating of A2(NG)"

"NMRC organized a two- day workshop on Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) for Compliance staff of its member Primary Mortgage Banks (PMBs). The goal of the workshop was to reinforce knowledge/skills of the effective prevention, detection, monitoring and control of Money Laundering risks inherent in mortgage finance business"

Financial Statements

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

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Independent Auditor's Report

TO THE MEMBERS OF NIGERIA MORTGAGE REFINANCE COMPANY PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Nigeria Mortgage Refinance Company Plc ("the Company"), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 83.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of Nigeria Mortgage Refinance Company Plc ("the Company") as at 31 December 2015, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Regulatory and Supervisory Framework for the Operations of a Mortgage Refinance Company, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

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

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

Compliance with Section 27 (2) of the Banks and other Financial Institutions Act of Nigeria

The Company did not pay any penalty in respect of any contravention of the Banks and Other Financial Institutions Act (BOFIA) during the year ended 31 December 2015.

Signed:

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants

28 April 2016
Lagos, Nigeria.

Statement of Financial Position

As at 31 December 2015

In thousands of Naira	*Notes*	**31 December 2015**	31 December 2014
Assets			
Cash and cash equivalents	*6*	**7,368,957**	10,502,375
Placements with banks	*7*	**14,157,595**	-
Mortgage refinance loans	*8*	**1,865,848**	-
Investment securities	*9*	**15,322,023**	-
Property and equipment	*10*	**148,769**	72,144
Intangible assets	*11*	**60,941**	-
Other assets	*12*	**135,282**	50,369
Total assets		**39,059,415**	10,624,888
Liabilities			
Debt securities issued	*13 (a)*	**7,760,373**	-
Borrowings	*13 (b)*	**23,303,888**	3,509,403
Current tax liabilities	*21(b)*	**4,825**	-
Other liabilities	*14*	**213,527**	59,159
Total liabilities		**31,282,613**	3,568,562
Capital and reserves			
Share capital and share premium	*15 (a)*	**6,944,290**	6,944,290
Retained earnings	*15 (b)*	**449,803**	112,036
Statutory reserves	*15 (c)*	**144,758**	-
Available for sale reserve	*15 (d)*	**237,951**	-
Total equity		**7,776,802**	7,056,326
Total liabilities and equities		**39,059,415**	10,624,888

The audited financial statements were approved by the Board of Directors on 28 April 2016 and signed on its behalf by:

Herbert Wigwe
Interim Chairman
FRC/2013/ICAN/00000001998
28 April 2016

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

Additionally certified by:

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

The accompanying notes form an integral part of these financial statements

Statement of Comprehensive Income

For the year ended 31 December 2015

In thousands of Naira	*Notes*	**31 December 2015**	31 December 2014
Interest income	*16*	**3,132,729**	685,541
Interest expense	*17*	**(1,104,822)**	(117,256)
Net interest income		**2,027,907**	568,285
Other income	*18*	**772**	47,377
Total income		**2,028,679**	615,662
Impairment of loans and advances	*8*	**(42,447)**	-
Personnel expenses	*19*	**(618,223)**	(21,415)
Depreciation & amortization	*10,11*	**(47,774)**	(17,874)
Other expenses	*20*	**(832,885)**	(416,224)
Profit before income tax		**487,350**	160,149
Income tax expense	*21(a)*	**(4,825)**	-
Profit for the year		**482,525**	160,149
Items that are or may be reclassified to profit or loss			
- Changes in fair values of available for sale financial assets		**237,951**	-
Other comprehensive income, net of income tax		**237,951**	-
Total comprehensive profit for the year		**720,476**	160,149
Profit attributable to:			
Equity holders of the Company		**482,525**	160,149
Profit for the year		**482,525**	160,149
Total comprehensive profit attributable to:			
Equity holders of the Company		**720,476**	160,149
Total comprehensive profit for the year		**720,476**	160,149
Earnings per share (Basic and diluted)- kobo	22	**27 k**	55 k

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2015

In thousands of naira	Share capital	Share premium	Retained earnings/ (loss)	Statutory reserves	Fair value reserves	Total
Balance at 1 January 2014	**250**	**-**	**(48,112)**	**-**	**-**	**(47,862)**
Profit/loss for the year	-	-	160,149	-	-	160,149
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income	-	-	160,149	-	-	160,149
Transactions with owners of the Company recognised directly in equity:						
Shares issued during the year	1,762,500	5,181,790	-	-	-	6,944,290
Shares relinquished during the year	(250)	-	-	-	-	(250)
Balance at 31 December 2014	**1,762,500**	**5,181,790**	**112,036**	**-**	**-**	**7,056,326**

In thousands of naira	Share capital	Share premium	Retained earnings/ (loss)	Statutory reserves	Fair value reserves	Total
Balance at 1 January 2015	**1,762,500**	**5,181,790**	**112,036**	**-**	**-**	**7,056,326**
Profit/loss for the year	**-**	**-**	**337,767**	**144,758**	**-**	**482,525**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**237,951**	**237,951**
Total comprehensive income	**-**	**-**	**337,767**	**144,758**	**237,951**	**720,476**
Transactions with owners of the Company recognised directly in equity:						
Shares issued during the year	**-**	**-**	**-**	**-**	**-**	**-**
Shares relinquished during the year	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to statutory reserves						
Balance at 31 December 2015	**1,762,500**	**5,181,790**	**449,803**	**144,758**	**237,951**	**7,776,802**

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

For the year ended 31 December 2015

In thousands of Naira	*Notes*	**31 December 2015**	31 December 2014
Cash f ows from operating activities			
Profit for the year	`	**482,525**	160,148
Adjustments for:			
Interest income	*16*	**(3,132,729)**	(685,541)
Interest expense	*17*	**1,104,822**	117,256
Depreciation and amortization	*10,11*	**47,774**	17,873
Net loss on disposal of property and equipment	*20*	**916**	-
Collective impairment on mortgage refinance loans	*8(b)*	**42,447**	-
Income tax expense	*21(a)*	**4,825**	-
		(1,449,420)	(437,640)
Changes in:			
Mortgage refinance loans		**(1,930,062)**	**-**
Placements with banks		**(13,348,568)**	**-**
Other assets		**(84,913)**	13,117
Other liabilities		**154,368**	27,685
		(16,658,595)	(396,838)
Interest received		**2,297,131**	685,541
Interest paid on borrowings		**-**	(72,459)
Interest paid on debt securities issued		**(600,792)**	-
Net cash f ows used in operating activities		**(14,962,256)**	216,244
Cash f ows from investing activities			
Acquisition of investment securities		**(14,920,144)**	-
Acquisition of property and equipment	*10*	**(140,359)**	(90,017)
Acquisition of Intangible assets	*11*	**(64,344)**	-
Proceeds from disposal of property and equipment		**18,448**	-
Net cash f ows used in investing activities		**(15,106,399)**	(90,017)
Cash f ows from financing activities			
Repayment of bridge finance from FGN		**(350,000)**	-
Proceeds from borrowing		**19,595,000**	3,511,982
Proceeds from debt securities issued		**7,690,237**	-
Proceeds from shares issued during the year	*15*	**-**	6,944,290
Net cash f ows from financing activities		**26,935,237**	10,456,272
Net decrease in cash and cash equivalents		**(3,133,418)**	10,582,499
Cash and cash equivalents, beginning of year		**10,502,375**	(80,124)
Cash and cash equivalents, end of year	*6*	**7,368,957**	10,502,375

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

1 REPORTING ENTITY

Nigeria Mortgage Refinance Company Plc ("the Company") is a public liability company incorporated in Nigeria on June 24, 2013 under the Companies and Allied Matters Act (CAMA). The address of the Company's corporate office is 1386A, Tigris Crescent, Maitama, Abuja. The Company is primarily involved in provision of long term funds to eligible mortgage lenders by issuing long term bonds in the Nigerian financial market and refinancing, securitizing 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 (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria regulations.

The financial statements were authorised for issue by the Board of Directors on 28 April 2016.

(b) These financial statements are prepared on the historical cost basis except for:-

- Available-for-sale financial assets measured at fair value
- Borrowings, debt securities and other financial instruments measured at amortized cost

(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(p) financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Non-derivative Financial Instruments

(a) Initial recognition

(i) Classification

The Company classifies its financial assets as loans and receivables or available for sale and financial liabilities as other financial liabilities.

(ii) Recognition

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

(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) Loans and receivables

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

Loans and receivables include Cash and cash equivalents, Mortgage Refinance loans, Staff loans and other receivables.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Transaction costs that are integral to the effective rate are capitalised to the value of the loan and receivable and amortised through interest income as part of the effective interest rate. The Company's other assets are included in the loans and receivables category.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances 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.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in the previous category. The Company's investments in bonds and treasury bills are classified as available-for-sale 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 available for sale reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transfered to profit or loss.

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

The following factors are considered in assessing objective evidence of impairment

- evidence of default of contractual payment terms;
- if there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a financial asset, although the decrease cannot yet be identified with specific individual financial assets.

-Loans and receivables

For loans and receivables measured at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of profit or loss. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 9 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

Impairment losses on available for sale financial asset are recognized by reclassfying the losses accumulated in the fair value reserves to statement of profit or loss. The amount reclassified is the difference between the acquisition cost (net of principal repayment and amortization) and the current fair value less any impairment loss previously recognized in statement of profit or loss. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occuring after the impairment loss was recognized, then the impairment loss shall be reversed either directly through profit or loss or by adjusting the allowance account.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. The amount of the reversal shall be recognized in statement of profit or loss and through other comprehensive income for equity instruments classified as available for sale. For equity securities, impairment are not reversed and subsequent changes in fair values are recorded in other comprehensive income

(d) Offsetting financial instruments

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

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

(e) Derecognition

(i) Financial assets

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

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

(ii) Financial liabilities

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

3.2 Property and equipment

(a) Recognition and measurement

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

(b) Depreciation

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

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

3.3 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 the income statement in the year of de-recognition.

3.4 Interest income and expense

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

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.
- 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/(loss) per share

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

There has been no changes in the accounting policies of the Company during the year ended 31 December 2015 as the amendments to IAS 19 Defined Benefit Plans: Employee Contributions, and other (amendments to) standards which became effective for the year ended 31 December 2015 had no impact on the Company's financial statements.

4.0 New standards and interpretations not yet adopted

The following new or revised standards and amendments which may have potential impact on the Company are not yet effective for the year ended 31 December 2015 and have not been applied in preparing these financial statements. These standards will not have impact on the Company's financial statements.

Pronouncement	Title	Effective Date
IFRS 9: Financial Instruments: Classification and Measurement	**Financial Instruments** On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard is expected to have a significant impact on the Company given the nature of the Company's operations, which will include changes in the measurement bases of the Company's financial assets to amortized cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model of IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company. Management does not plan to early adopt this IFRS.	Annual periods beginning on or after 1 January 2018.
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are effective for annual periods beginning on or after 1 January 2016 and early adoption is permitted, however, management does not plan to early adopt this amendment. Management does not expect this amendment to have any impact on the financial statements.	Effective for periods beginning on or after 1 January 2016
IFRS 15 Revenue from contracts with customers (effective for periods beginning on or after 1 January 2018)	This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2017, 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 2018

4 FINANCIAL RISK MANAGEMENT

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss from an obligor's failure to meet the terms of any contract or otherwise fail to perform as agreed. Credit risk arises from our refinance 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 credit risks exposures are kept within parameters approved by the Board of Directors. Specific procedures for managing credit risks are determined at business levels based on risk environment and business goals in line with the approved credit policy for NMRC. We recognize that we are exposed to cyclical changes in credit quality. Consequently, we try to ensure that our credit portfolio is resilient to economic downturns. Our most important tools in this endeavour include adherence to the uniform underwriting standards, robust credit analysis and evaluation prior to credit approval, effective loan monitoring and detection of early warning signs of credit deterioration.

Market & Liquidity Risk Management

Market Risk

Our business activities expose us to Market risk. Market risk is the exposure generated by adverse changes in the value of financial instruments caused by a change in market prices or interest rates. Market risk includes interest rate risk and liquidity risk. Interest rate risk is the risk of loss in value or expected future earnings that may result from changes to interest rates. Liquidity risk is the risk that we will not be able to meet our funding obligations in a timely manner.

Sources of Interest Rate Risk Exposure

The primary source of interest rate risk in NMRC is the composition of mismatches in our asset and liabilities. The mismatches consist of the gap between refinanced mortgage loan assets; cash and other investments portfolio and the World Bank debt along with outstanding NMRC bond (that is used to strictly fund the refinanced mortgage loan assets portfolio).

For the refinanced mortgage loans, borrowers have the option to prepay at any time before the scheduled maturity date or continue paying until the stated maturity. Given this prepayment option held by the borrower, we are exposed to uncertainty as to when or at what rate prepayments will occur, which ultimately affects the length of time our mortgage assets will remain outstanding and the timing of the cash flows related to these assets. This prepayment uncertainty results in a potential mismatch between the timing of receipt of cash flows related to our assets and the timing of payment of cash flows related to our liabilities.

Changes in interest rates, as well as other factors, influence mortgage prepayment rates and duration and also affect the value of our mortgage assets. Typically, when interest rates decrease, prepayment rates on fixed-rate mortgages generally accelerate because borrowers usually can pay off their existing mortgages and refinance at lower rates. Accelerated prepayment rates actually have the effect of shortening the duration and average life of the fixed-rate mortgage underlying the assets in our portfolio. While in a declining interest rate environment, existing mortgage assets underlying our net portfolio tend to increase in value or price because these mortgages are likely to have higher interest rates than new mortgages, which are being originated at the then-current lower interest rates. Conversely, when interest rates increase, prepayment rates generally slow, which extends the duration and average life of our mortgage assets and results in a decrease in value.

Interest Rate Risk Management Strategy

NMRC's aim for managing the interest rate risk in our portfolio mismatch is to moderate the impact of movements in interest rates and volatility. This requires active asset selection and structuring of our liabilities to match and offset the interest rate characteristics of our refinanced mortgage loan portfolio and our investments in non-mortgage securities (government securities). However, we recognize that the duration of our debt liability, particularly as a result of the World Bank debt, is longer than the duration of any particular instrument in the market for investment. To manage this mismatch, NMRC would activate an investment rolling plan for its long term investment to match, to the extent possible, the term of the liability.

Our strategy consists of the following principal elements:

- Debt Instrument. We have issued 15-year callable (after 10years) debt instruments to manage the duration and prepayment risk of expected cash flows of the underlying mortgage assets in our portfolio.
- Monitoring and Active Portfolio Rebalancing. We continually monitor our risk positions and actively rebalance our portfolio of interest rate-sensitive financial instruments to maintain a close match between the duration of our assets and liabilities.

Debt Instruments

The primary tool used to fund the refinance of mortgage portfolios and manage the interest rate risk implicit in underlying mortgage assets callable long-term debt instruments. Callable debt helps us manage the prepayment risk associated with fixed-rate mortgage assets because the duration of callable debt changes when interest rates change in a manner similar to changes in the duration of underlying mortgage assets. Furthermore, the organization would leverage extensively on the flexibility of the debt maturities in managing the duration risk associated with an investment in long-term fixed-rate assets.

Liquidity Risk Management

NMRC's business activities require that we maintain adequate liquidity to fund our operations. Our liquidity risk management approach is forward looking in order to address the future cash flow of the ultimate home buyers. Liquidity risk is the risk that we will not be able to meet our funding obligations in a timely manner. Liquidity risk management involves forecasting funding requirements, maintaining sufficient capacity to meet our needs based on our ongoing assessment of financial market liquidity and adhering to our regulatory requirements. Furthermore, NMRC maintains an adequate level of unencumbered, high-quality liquid assets that can easily be converted to cash to meet its liquidity needs in the short to medium term.

Our treasury group is responsible for implementing liquidity and contingency planning strategies in NMRC. Our long run goal is to diversify our funding base by establishing a flexible funding base that includes multiple sources of funding. The primary source of funds is proceeds from the issuance of long-term debt securities. Consequently, liquidity primarily depends largely on our ability to issue secured debt in the capital markets. The Federal government's guarantee on our bond issuance, essentially enables us to maintain regular access to the capital market to provide long-term funds, thereby creating uninterrupted liquidity flows. Also, other sources of cash include principal and interest payments received on refinanced loans and non-mortgage investments we own and long term borrowings. While the primary funding needs include, repayment of matured and redeemed debt, interest payments on outstanding debt and administrative expenses.

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.

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.

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.

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 by and to the regulatory bodies

Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT)

NMRC is committed to cooperate with the Government and the Agencies coordinating the implementation of Anti Money Laundering law 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. During the year, NMRC conducted a comprehensive AML/CFT training for all member Banks and other stakeholders in order to create adequate awareness on AML/CFT risk inherent in mortgage lending business.

Information and Communications 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. Information security risk is any event that could result in the compromise of organizational information assets i.e. the unauthorized use, loss, damage, disclosure or modification of information assets. 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 evaluations on the adequacy of the controls are carried out to ensure up to date protection. NMRC also embarked on siting a disaster recovery system in the newly acquired Lagos office. The project has started and will be implemented in 2016.

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; law suits; adverse judgments; and loss of corporate focus. NMRC has established a legal risk policy to address any potential legal risks within the Company.

To protect the company from legal risk that may arise due to refinancing activities, NMRC engaged the services of leading Law firms in Nigeria to draft all contractual and security documents in order to ensure NMRC's interest is fully protected in its exposures to the PMBs as a result of the refinancing mortgages of the PMBs. A Trusteeship arrangement for protecting the joint interest of all parties in the transaction was put in place. NMRC contracted one of the leading Trustee firms to acts as custodian to all securities in the underlying mortgages being refinanced.

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.

Internal Control Systems

NMRC 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 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, Budget is 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 will also be reported to the Board

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

d) A comprehensive strategy document was approved by the Board during the year and is performance is being monitored for timely remedial action on deviations from set targets/goals.

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 on 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, which meets at least four times a year.

b) The audit plan and audit reports are also submitted to the Board and the respective committees to inform 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.

(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 receivables.

(i) Exposure to credit risk

In thousands of Naira	*Notes*	**31 December 2015**	31 December 2014
Cash and cash equivalents	*6*	**7,368,957**	10,502,375
Placements with banks	*7*	**14,157,595**	-
Mortgage refinance loans	*8*	**1,865,848**	-
Investment Securities	*9*	**15,322,023**	-
Other assets	*12*	**14,571**	22,000

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

(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(N) (functional and presentation currency) relative to the US dollar would have an insignificant effect on the Company's financial position. The Company does not enter into any forward exchange contracts to manage the currency risk fluctuations.

(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 fixed deposits and available for sale financial assets, 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 interest 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.

Notes to the financial statements (continued)

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	*Notes*	**31 December 2015**	31 December 2014
Financial assets			
Cash and cash equivalents	*6*	**7,368,957**	10,502,375
Placements with banks	*7*	**14,157,595**	-
Mortgage refinance loans	*8*	**1,865,848**	-
Investment securities	*9*	**15,322,023**	-
		38,714,423	10,502,375
Financial liabilities			
Debt securities issued	*13 (a)*	**7,760,373**	-
Borrowings	*13 (b)*	**23,303,888**	3,509,403
		31,064,261	3,509,403

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.

In thousands of Naira	**31 December 2015**	31 December 2014
Increase in interest rate by 100 basis points (+1%)	**76,502**	69,930
Decrease in interest rate by 100 basis point (-1%)	**(76,502)**	(69,930)

Interest rate movements affect reported equity through retained earnings arising from increase or decrease in net interest income. Furthermore, the impact on the available-for-sale reserve coming from the investment portfolio is considered limited by management, given the relative short-term maturity of the portfolio.

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

31 December 2015

In thousands of Naira	Note	Carrying amount	Gross nominal inf ow/(outflow)	Less than 3 months	6 months	12 months	5 years	More than 5 years
Non-derivative assets								
Cash and cash equivalents	6	7,368,957	7,408,294	7,408,294	-	-	-	-
Placements with banks	7	14,157,595	14,208,157	14,208,157	-	-	-	-
Mortgage refinance loans	8	1,865,848	4,786,351	81,480	81,480	162,960	1,303,680	3,156,751
Investments securities	9	15,322,023	18,583,497	5,560,992	1,430,545	3,462,249	8,129,711	-
Other assets	12	14,571	14,571	14,571	-	-	-	-
Total financial assets		38,728,994	45,000,870	27,273,494	1,512,025	3,625,209	9,433,391	3,156,751
Non-derivative liabilities								
Debt securities	13(a)	7,760,373	19,629,559	335,369	335,369	670,739	5,365,911	12,922,170
Borrowings	13(b)	23,303,888	47,769,978	-	482,154	482,154	3,857,232	42,948,438
Other liabilities	14	201,110	201,110	201,110	-	-	-	-
Total financial liabilities		31,265,371	67,600,647	536,479	817,523	1,152,893	9,223,143	55,870,608
Gap -assets/(liabilities)		7,463,623	(22,599,777)	26,737,015	694,502	2,472,316	210,248	(52,713,857)
Cumulative liquidity gap		-	-	26,737,015	27,431,516	29,903,832	30,114,080	(22,599,777)

31 December 2014

In thousands of Naira	Note	Carrying amount	Gross nominal inf ow	Less than 3 months	6 months	12 months	5 years	More than 5 years
Non-derivative assets								
Cash and cash equivalents	6	10,502,375	10,502,375	7,614,916	-	2,887,459	-	-
Other assets	9	22,000	22,000	2,000	20,000	-	-	-
Total risk asset		*10,524,375*	10,524,375	7,616,916	20,000	2,887,459	-	-
Non-derivative liabilities								
Borrowings	13	3,509,403	3,509,403	347,421	-	-	-	3,161,982
Other liabilities	14	26,034	26,034	26,034	-	-	-	-
Total risk liabilities		*3,535,437*	3,535,437	373,455	-	-	-	3,161,982
Gap -assets/(liabilities)		*6,988,938*	6,988,938	7,243,461	20,000	2,887,459	-	(3,161,982)
Cumulative liquidity gap		-	-	7,243,461	7,263,461	10,150,920	10,150,920	6,988,938

(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). The Central Bank of Nigeria sets and monitors capital requirements for the Company. In implementing current capital requirements, the Central Bank of Nigeria requires the Mortgage Refinance Company to maintain a ratio of 10% of total capital to total risk-weighted assets.

The Nigeria Mortgage Refinance Company's regulatory capital includes:

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

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

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

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

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

The table below shows the break-down of the Company's regulatory capital for the years ended 31 December 2015. The capital adequacy ratio has been computed in line with Basel II rule which came in force in December 2014 and has been prospectively applied.

Capital Adequacy Computation

In thousands of Naira	**31 December 2015**	31 December 2014
Tier 1 Capital		
Share capital	**1,762,500**	1,762,500
Share premium	**5,181,790**	5,181,790
Retained earnings	**449,803**	112,036
Statutory reserves	**144,758**	-
Less:		
Intangible assets	**(60,941)**	-
Total Tier 1 Capital	**7,477,910**	7,056,326

In thousands of Naira	**31 December 2015**	31 December 2014
Tier 2 Capital		
Subordinated term debt (limited to 25% of total Tier 1 capital)	**1,869,477**	1,764,082
Fair value reserves	**237,951**	-
Total Tier 2 Capital	**2,107,428**	1,764,082
Total Regulatory Capital	**9,585,338**	8,820,408
Risk weighted assets		
Risk-weighted amount for credit risk	**10,988,731**	122,514
Total weighted risk assets	**10,988,731**	122,514
Capital Adequacy Ratio (CAR)	**87%**	7200%

The Company's capital adequacy ratio was 87% as at 31 December 2015 (2014: 7200%) which was above CBN capital adequacy requirement 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 estimation uncertainty

(i) Allowances for credit losses

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

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

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

(ii) Determining fair values

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

(iii) Valuation of financial instruments

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

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

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

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

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

(iv) Determination of impairment of property and equipment

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

(v) Income Taxes

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

(vi) Depreciation and carrying value of property and equipment

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

(vii) Deferred tax

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

5 FINANCIAL ASSETS AND LIABILITIES

The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments

31 December 2015

In thousands of Naira	*Notes*	Designated at fair value	Loans and receivables	Available-for-sale	Other liabilities	Fair value
Cash and cash equivalents	6	-	7,368,957	-	-	7,368,957
Placements with banks	7	-	14,157,595	-	-	14,157,595
Mortgage refinance loans	8	-	1,865,848	-	-	1,759,666
Investment Securities	9	-	-	15,322,023	-	15,322,023
Other assets	12	-	14,571	-	-	14,571
		-	23,406,971	15,322,023	-	38,622,812
Debt securities issued	*13 (a)*	-	-	-	7,760,373	7,597,548
Borrowings	*13 (b)*	-	-	-	23,303,888	23,374,767
Other liabilities	*14*	-	-	-	201,110	201,110
		-	-	-	31,265,371	31,173,425

31 December 2014

In thousands of Naira	*Notes*	Designated at fair value	Loans and receivables	Available-for-sale	Other liabilities	Fair value
Cash and cash equivalents		10,502,375	10,502,375	-	-	10,502,375
Other assets		-	22,000	-	-	22,000
		10,502,375	10,524,375	-	-	10,524,375
Borrowing		-	-	-	3,509,403	3,509,403
Other liabilities		-	-	-	26	26
		-	-	-	3,509,429	3,509,429

Given that the tenor to maturity of the placements with banks is generally less than 3 months, the carrying value is considered to be a good approximation of fair value. Furthermore, the carrying amount of receivables, overdraft and other liabilities are reasonable approximations of fair value, thus, the carrying amounts are disclosed as fair values.

The fair values of the debt securities issued has been determined with reference to the valuation yield on the FMDQ quotation list as at 31 December 2015 for NMRC corporate. The fair value was determined as the present value of the estimated future cash payments discounted using the valuation yield as at 31 December 2015. Similarly, the fair value of borrowings was determined as the present value of the estimated future cash payments discounted using the US treasury yield curve rate for a 30-year treasury instrument.

6 CASH AND CASH EQUIVALENTS

In thousands of Naira	**31 December 2015**	31 December 2014
Balances with banks	**32,217**	276,149
Money market placements	**7,336,740**	2,887,459
Share capital deposit with Central Bank of Nigeria (see note (a) below)	**-**	7,338,767
Cash and cash equivalents	**7,368,957**	10,502,375

(a) The Company obtained its operating license from the Central Bank of Nigeria during the year and the share capital deposit held with the Central Bank of Nigeria in prior year was returned to the Company during the year.

7 PLACEMENTS WITH BANKS

In thousands of Naira	**31 December 2015**	31 December 2014
Placements with banks	**13,348,568**	-
Interest receivable on placements with banks	**809,027**	-
	14,157,595	**-**

8 MORTGAGE REFINANCE LOANS

In thousands of Naira	**31 December 2015**	31 December 2014
Loan and advances	**1,908,295**	-
Specific allowances for impairment (see note (a) below)	**-**	-
Collective allowances for impairment (see note (b) below)	**(42,447)**	**-**
loans and advances at amortized cost	**1,865,848**	**-**

8 (A) SPECIFIC ALLOWANCES FOR IMPAIRMENT

In thousands of Naira	**31 December 2015**	31 December 2014
Balance, beginning of year	**-**	-
Charge for the year	**-**	**-**
Balance, end of year	**-**	**-**

8 (B) COLLECTIVE ALLOWANCES FOR IMPAIRMENT

In thousands of Naira	**31 December 2015**	31 December 2014
Balance, beginning of year	**-**	-
Charge for the year	**42,447**	**-**
Balance, end of year	**42,447**	**-**

8 (C) NATURE OF SECURITY IN RESPECT OF MORTGAGE REFINANCE LOANS

In thousands of Naira	**31 December 2015**	31 December 2014
Secured against real estate	**1,865,848**	-
Secured by shares of quoted companies	**-**	-
Otherwise secured	**-**	-
Unsecured	**-**	-
Balance, end of year	**1,865,848**	-

9 INVESTMENT SECURITIES

In thousands of Naira	**31 December 2015**	31 December 2014
Available-for-sale investment securities:		
Federal Government of Nigeria Bonds	**9,112,536**	-
Treasury bills	**6,209,487**	-
	15,322,023	-

10 PROPERTY AND EQUIPMENT

	Computer Equipment	Office Equipment	Leasehold Improve-ments	Furniture and Fittings	Motor Vehicle	Work in Progress	Total
Cost							
At 1 January 2015	**20,638**	**5,355**	**17,472**	**23,553**	**23,000**	**-**	**90,018**
Additions	**14,825**	**3,262**	**-**	**3,910**	**103,380**	**14,982**	**140,359**
Disposals	**(1,115)**	**(715)**	**(60)**	**(728)**	**(23,000)**	**-**	**(25,618)**
At 31 December 2015	**34,348**	**7,902**	**17,412**	**26,735**	**103,380**	**14,982**	**204,759**
At 1 January 2014	-	-	-	-	-	-	-
Additions	20,638	5,355	17,472	23,553	23,000	-	90,018
Disposals	-	-	-	-	-	-	
At 31 December 2014	20,638	5,355	17,472	23,553	23,000	-	90,018

	Computer Equipment	Office Equipment	Leasehold Improve-ments	Furniture and Fittings	Motor Vehicle	Work in Progress	Total
Depreciation							
At 1 January 2015	**4,252**	**990**	**4,296**	**5,783**	**2,552**	**-**	**17,873**
Charge for the year	**7,130**	**1,642**	**4,367**	**6,622**	**24,610**	**-**	**44,371**
Disposals	**(435)**	**(146)**	**(30)**	**(224)**	**(5,419)**	**-**	**(6,254)**
At 31 December 2015	**10,947**	**2,486**	**8,633**	**12,181**	**21,743**	**-**	**55,990**
At 1 January 2014	-	-	-	-	-	-	-
Charge for the year	4,252	990	4,296	5,783	2,552	-	17,873
At 31 December 2014	4,252	990	4,296	5,783	2,552	-	17,873
Net book value							
At 31 December 2015	**23,401**	**5,416**	**8,779**	**14,554**	**81,637**	**14,982**	**148,769**
At 31 December 2014	16,386	4,365	13,176	17,770	20,448	-	72,144

(i) The Company had no capital commitments and no assets pledged as security for borrowings as at 31 December 2015 (31 December 2014:Nil

(ii) There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (31 December 2014:Nil

11 INTANGIBLE ASSETS

In thousands of naira	**Computer Software**
Cost	
At 1 January 2015	**-**
Additions	**64,344**
Disposals	**-**
At 31 December 2015	**64,344**
At 1 January 2014	-
Additions	-
Disposals	-
At 31 December 2014	-
Amortization	
At 1 January 2015	**-**
Charge for the year	**3,403**
Disposals	**-**
At 31 December 2015	**3,403**
At 1 January 2014	-
Charge for the year	-
Disposals	-
At 31 December 2014	-

In thousands of naira	**Computer Software**
Net book value	
At 31 December 2015	**60,941**
At 31 December 2014	-

(i) The Company had no commitments relating to the acquisition of intangible assets as at 31 December 2015 (31 December 2014:Nil)

(ii) There were no capitalized borrowing costs related to the acquisition of intangible assets during the year (31 December 2014: Nil)

12 OTHER ASSETS

In thousands of Naira	**31 December 2015**	31 December 2014
Prepaid rent	**76,731**	22,407
Prepaid staff benefits	**30,861**	-
Other prepaid expenses	**13,119**	5,962
Staff loans and advances	**3,751**	-
Other advances	**10,820**	22,000
	135,282	50,369

13 DEBT SECURITIES ISSUED

In thousands of Naira	**31 December 2015**	31 December 2014
Fixed rate debt security issued at amortized cost (see note (a) below)	**7,760,373**	-
	7,760,373	**-**

(a) Debt securities issued represents N8,000,000 14.9% Series1 Fixed Rate Bonds issued on July 29, 2015 with a maturity date of July 29, 2030. The issue which is under the Company's N140 billion Medium Term Note Programme was guaranteed by the Federal Government of Nigeria with interest and principal repayable on a quarterly basis. Principal and interest repayments commenced on September 15, 2015. The total proceeds of N7,690,237,000 was received on the issue net of incurred costs of N309,763,000 included in the amortized costs.

13(b) BORROWINGS

In thousands of Naira	**31 December 2015**	31 December 2014
Bridge finance from the Federal Government (see note (i) below)	**-**	347,421
Borrowings from World Bank (see note (ii) below)	**23,303,888**	3,161,982
	23,303,888	3509403

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

The loan amount was fully repaid by the Company during the year.

(ii) Borrowings from World Bank represents an International Development Agency (IDA) facility granted to the Federal Republic of Nigeria for the funding of the Housing Finance Programme which was received by Nigeria Mortgage Refinance Company Plc through the Central Bank of Nigeria (CBN) on 27 June 2014. The purpose of the loan is to establish a mortgage liquidity facility. The loan is tenured 40 years (maturity on May 13, 2053) from the date of commencement at an interest rate of 0.75% per annum plus the forex hedge rate of 3.5% for the duration of the loan.

Interest shall accrue daily and is payable on the loan semi-annually in arrears on each payment date during the tenor of the loan (May 13 and November 13). The Company recognizes the loan at amortized cost.

During the year, the Company received additional disbursements from the Central Bank of Nigeria amounting to N19,595,000,000

14 OTHER LIABILITIES

In thousands of Naira	**31 December 2015**	31 December 2014
Accrued expenses	**-**	33,126
Withholding tax payable	**6,650**	12,028
Value added tax payable	**5,054**	5,054
Guarantee fee payable	**48,715**	-
Due to Dunn Loren Merrifield	**-**	620
Pension contribution payable	**3,908**	847
NHF payable	**293**	68
PAYE payable	**-**	3,022
ITF payable	**420**	-
Performance bonus payable to employees	**86,571**	-
Other account payable (see note (a) below)	**61,916**	4,396
	213,527	59,161

(a) Other account payable warehouses payables to vendors in respect of administrative services rendered to the Company.

15 CAPITAL AND RESERVES

(a) Share capital and share premium

In thousands of Naira	**31 December 2015**	31 December 2014
(i) **Authorised**		
8,500,000,000 ordinary shares of N1.00 each	**8,500,000**	8,500,000
(ii) **Issued and fully paid:**		
1,762,500,000 ordinary shares of N1.00 each	**1,762,500**	1,762,500

(iii) **Share premium**

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

In thousands of Naira	**31 December 2015**	31 December 2014
1,762,500,000 ordinary shares issued at a premium of N3.00 each	**5,287,500**	5,287,500
Share issue costs	**(105,710)**	(105,710)
	5,181,790	5,181,790
Share capital and share premium	**6,944,290**	6,944,290

No new shares were issued during the year.

(b) Retained earnings/ (loss)

In thousands of Naira	**31 December 2015**	31 December 2014
Balance, beginning of year	**112,036**	(48,112)
Transfer from statement of comprehensive income (see note (i) below)	**337,767**	160,148
Balance, end of year	**449,803**	112,036

(c) Statutory reserve

In thousands of Naira	**31 December 2015**	31 December 2014
Balance, beginning of year	**-**	-
Transfer from retained earnings (see note (i) below)	**144,758**	-
Balance, end of year	**144,758**	-

(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) Available-for-sale reserves

In thousands of Naira	**31 December 2015**	31 December 2014
Balance, beginning of year	**-**	-
Fair value gain for the year (see note (i) below)	**237,951**	-
Balance, end of year	**237,951**	-

(i) Fair value reserves represent the difference between the amortized cost of the Company's available-for-sale financial assets and the market value of those assets. The difference is recognized in the statement of other comprehensive income and transferred to profit and loss upon de-recognition of the financial asset.

16 INTEREST INCOME

In thousands of Naira	**31 December 2015**	31 December 2014
Cash and cash equivalents	**590,987**	685,541
Placements with banks	**1,135,434**	
Mortgage refinance loans	**91,605**	-
Treasury bills	**747,396**	-
Federal government of Nigeria bonds	**567,307**	-
	3,132,729	685,541

17 INTEREST EXPENSE

In thousands of Naira	**31 December 2015**	31 December 2014
Interest expense on borrowings	**552,123**	117,256
Interest expense on debt securities issued	**552,699**	
	1,104,822	117,256

18 OTHER INCOME

In thousands of Naira	**31 December 2015**	31 December 2014
Fee income	**772**	-
Grant income	**-**	47,377
	772	47,377

19 PERSONNEL EXPENSES

In thousands of Naira	**31 December 2015**	31 December 2014
Salaries and allowances	**570,685**	20,944
Defined contribution plan	**46,789**	471
Group Life Assurance	**749**	
	618,223	21,415

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

	31 December 2015	31 December 2014
Executive	**3**	2
Management	**7**	-
Non-management	**9**	2
	19	4

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 2015	31 December 2014
N300,001 – N2,000,000	**-**	2
N2,000,001 – N3,000,000	**4**	-
N3,000,001 – N4,000,000	**3**	-
N4,000,001 – N5,000,000	**-**	-
N5,000,001 – N6,000,000	**-**	-
N6,000,001 – N7,000,000	**1**	-
N7,000,001 – N8,000,000	**1**	-
N8,000,001 – N9,000,000	**-**	-
N9,000,001 – N10,000,000	**-**	-
N10,000,001 and above	**10**	2
	19	4

20 OTHER EXPENSES

In thousands of Naira	**31 December 2015**	31 December 2014
Service charge/Legal fees	**15,973**	6,875
ITF Levy	**1,462**	-
National Housing Fund	**289**	-
General admin expenses	**18,682**	4,831
Net loss on disposal of property and equipment	**916**	-
Audit fee	**14,550**	8,070
Rent	**24,502**	24,648
Bank charges	**884**	1,536
Value added tax	**20,715**	-
Utility and electricity	**5,739**	2,840
Advertisement	**7,226**	1,158
Insurance	**7,915**	287
IT cost	**17,465**	1,480
Professional fees (see note (a) below)	**419,015**	83,644
Stationery and printing	**20,561**	1,309
Recruitment expense	**16,097**	32,385
Entertainment	**22,214**	2,023
Website and email cost	**-**	2,389
Company secretary fees	**-**	11,500
Securities and exchange commission fees	**-**	-
FIRS filing fees	**-**	3,743
Subscription expenses	**3,990**	98
Office set-up cost	**-**	456
Directors expenses	**26,167**	-
Board meeting expenses	**3,726**	500
Annual general meeting expenses	**12,860**	-
Media launch expenses	**-**	16,492
Business development expenses	**17,669**	-
Donations	**1,280**	-
Flight & transportation cost	**68,748**	11,990
Hotel accommodation expenses	**19,807**	12,205
Conferences	**15,718**	-
Corporate affairs commission filling fees	**-**	184,990
Stamping expenses	**-**	774
Central bank of Nigeria license fees	**-**	-
NITDA Levy	**-**	-
Federal government of Nigeria guarantee fee (see note (b) below)	**48,715**	-
	832,885	416,223

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

In thousands of Naira	31 December 2015	31 December 2014
Financial consultancy services	**37,959**	-
Human resources consultancy services	**30,808**	-
IT consultancy services	**20,956**	-
Legal fees	**8,400**	31,512
Tax consultancy services	**4,129**	-
Financial advisory fees	**239,200**	52,132
Secretarial services	**21,000**	-
Bond rating services	**10,000**	-
Other advisory services	**23,000**	-
HR consulting	**23,563**	-
	419,015	83,644

The Company's auditors provided other advisory services to the Company with respect to project assistance towards building the Company's 5 year strategic plan. A fee of N23 million was paid in respect of the services rendered.

(b) 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 guarantee fee of 10% of the Company's profit after tax is payable to the Federal government of Nigeria to support the development of the Nigerian housing market in such manner as may be agreed in writing between the Company and the Federal Ministry of Finance.

21 TAXATION

(a) Income tax expense

(i) Recognised in profit or loss

In thousands of Naira	31 December 2015	31 December 2014
Companies income tax	**-**	-
Tertiary education tax	**-**	-
Information technology tax	**4,825**	-
Total income tax expense	**4,825**	-

(ii) Reconciliation of effective tax rate

In thousands of Naira	31 December 2015	31 December 2015	31 December 2014	31 December 2014
Profit before tax		**487,350**		160,149
Adjustment for information technology tax		**(4,825)**		-
		482,525		160,149
Tax using domestic corporation tax rate	**30%**	**144,758**	30%	48,045
Non-deductible expenses	**3%**	**13,323**	35%	56,620
Tax exempt income	**-79%**	**(382,549)**	-97%	(155,825)
Education tax	**0%**	**-**	0%	-
Information technology tax	**1%**	**4,825**	0%	-
Effect of unrecognised deferred tax	**47%**	**224,469**	32%	51,161
	1%	**4,825**	0%	-

(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. The Company is not liable to pay tax during the year as it has only carried out operations for nine months.

In thousands of Naira	31 December 2015	31 December 2014
Balance, beginning of year	**-**	-
Charge for the year	**4,825**	-
Tax paid	**-**	-
Balance, year end	**4,825**	-

(c) Deferred tax

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

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

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

In thousands of Naira	31 December 2015	31 December 2014
Property and equipment	**23,217**	5,362
Unrelieved tax losses	**266,838**	60,224
	290,055	65,586

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

In thousands of Naira	**31 December 2015**	31 December 2014
Balance, beginning of the year	**65,586**	14,425
Credit for the year	**224,469**	51,161
Balance, end of the year	**290,055**	65,586

22 EARNINGS PER SHARE (BASIC AND DILUTED)- KOBO

(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.

(i) Weighted average number of ordinary shares

In thousands of Naira	**31 December 2015**	31 December 2014
Ordinary shares as at 1 January	**1,762,500**	250,000
Shares relinquished during the year	**-**	(250,000)
Effect of ordinary shares issued during the year	**-**	293,750
Weighted average number of ordinary shares	**1,762,500**	293,750

The number of shares issued during 2014 was 1,762,500,000, which led to an impact on the weighted average shares of 293,750,000

(ii) Profit attributable to equity holders

In thousands of Naira	**31 December 2015**	31 December 2014
Profit for the year attributable to equity holders	**482,525**	160,148
Earnings per share - kobo	**27**	55
Profit per share - kobo	**27**	55

(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 2015.

24 CONTINGENT LIABILITIES

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

The Company leases its head office under an operating lease arrangement. The lease arrangement has a renewable term of one year with rent paid in advance and recognised on a straight line basis. The outstanding balance is accounted for as prepaid rent and is reported in the statement of financial position as other assets. The Company does not hold any non-cancellable operational leases.

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 2015**	31 December 2014
Short-term employee benefits	**173,912**	13,531
Post-employment benefits:		
Contributions to defined contribution plans	**26,162**	319
	200,074	13,850

(a)(ii) Directors' emoluments

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

In thousands of Naira	**31 December 2015**	31 December 2014
Fees	**13,000**	-
Sitting and other allowances	**13,167**	-
	26,167	-

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 2015**	31 December 2014
N1,000,000 and above	**6**	-

(b). Transactions with shareholders

During the year ended 31 December 2015, the following transactions occured between the Company and some of its shareholders.

(i) Money market placements

In thousands of Naira	**31 December 2015**	31 December 2014
Access Bank Plc		
- Current accounts	**31,294**	276,149
- Fixed deposits	**7,324,244**	3,094,600
Sterling Bank Plc		
- Fixed deposits	**3,417,019**	-
Stanbic IBTC Bank		
- Current accounts	**615**	
- Fixed deposits	**1,063,616**	-
Heritage Bank Plc		
- Fixed deposits	**1,599,308**	-
	13,436,096	3,370,749

(ii) Mortgage refinance loans

In thousands of Naira	**31 December 2015**	31 December 2014
Imperial Homes Mortgage Bank Limited	**1,192,330**	-
TrustBond Mortgage Bank Plc	**271,336**	-
Suntrust Savings and Loans Limited	**444,629**	-
	1,908,295	-

(iii) *Interest income*

In thousands of Naira	**31 December 2015**	31 December 2014
Access Bank Plc		
- Interest income on fixed deposits	**722,557**	159,124
- Interest income on Treasury bills	**747,396**	-
- Interest income on Bonds	**515,895**	-
Sterling Bank Plc		
- Interest income on fixed deposits	**245,753**	-
- Interest income on Bonds	**51,413**	
Stanbic IBTC Bank		
- Interest income on fixed deposits	**63,616**	-
Heritage Bank Plc		
- Interest income on fixed deposits	**99,308**	-
	2,445,938	159,124

26 SUBSEQUENT EVENTS

The Company is in the process of raising additional capital for its operations through the issue of shares, this is expected to be finalized in 2016. The Company is also preparing to issue additional debt securities under the N140billion medium term note programme approved by the SEC.

''Lagos State government has said that it would enter into partnership with Nigerian Mortgage Refinance Company (NMRC) to make housing affordable to its citizens''

Guardian Newspaper

Other National Disclosure

Value Added Statement

For the year ended 31 December 2015

	December 2015	%	December 2014	%
Gross earnings	**3,133,501**		732,918	
Loan loss expenses/diminution in risk assets	**(42,447)**			
Bought-in materials and services - Local	**(832,885)**		(416,223)	
Value added	**2,258,169**	**100**	316,695	(100)
Applied to pay:				
To providers of finance				
Interest expense on borrowings	**552,123**	**25**	117,256	37
Interest expense on debt securities issued	**552,699**	**25**	-	
To employees				
Personnel expenses	**618,223**	**27**	21,415	7
To the Government				
Taxation	**4,825**	**-**	-	1
Retained in the business:				
Depreciation and amortisation	**47,774**	**2**	17,874	6
Profit/(loss) for the year	**482,525**	**21**	160,149	49
Value added	**2,258,169**	**100**	316,695	100

Proxy Form

The 2ndAnnual General Meeting of the Nigeria Mortgage Refinance Company will be held on18thOctober 2016 at 10.00am at the Abora & Mazonia Suites, Eko Hotel & Suites, Victoria Island, Lagos.

I/We _________________________being a member/members of the Nigeria Mortgage Refinance Company Plc hereby appoint ____________________of _________________ or failing him, the Chairman of the Company as my/our proxy to act and vote on behalf of me/us at the Annual General Meeting to be held on 18th October 2016 at 10.00am at the Abora & Mazonia Suites, Eko Hotel & Suites, Victoria Island, Lagos or at any amendment thereof.

Dated this_______________ day of………………..., 2016

Signature of Shareholder: _______________________

Name of Shareholder:____

S/N	Resolutions	For	Against
Ordinary Business			
1.	To receive the Audited Financial statements for the year ended December 2015.		
2.	To receive the Reports of the Directors and Auditors of the Company.		
3.	To appoint KPMG Professional Services as the Auditors to the Company from the end of the Annual General Meeting until the end of the next year's Annual General Meeting.		
4.	To authorize the Directors to fix the remuneration of the Auditors.		
5.	To elect/re-elect members of the Audit Committee.		
Special Business			
1.	To consider and if thought fit, pass the following as an Ordinary Resolution: *"That the Directors'remuneration package and payments hitherto made to the Directors of the Company be and is hereby authorized"*		
2.	To consider and if thought fit, pass the following sub – joined resolutions as Ordinary Resolutions: *"That the appointment of Dr. Charles C. Okeahalam; Mr. Charles A. Candide-Johnson, SAN; Dr. Anino Emuwa; and Mrs. Fatima Wali-Abdurrahman as Independent Non – Executive Directors be and is hereby ratified"* That the appointment of Mr. Adeniyi Akinlusi of Trustbond Mortgage Bank Plc as a Non – Executive Director be and is hereby ratified."		

Please mark the appropriate box with an "X" to indicate how you wish your votes to be cast on the resolutions setabove. Unless otherwise instructed, the proxy will vote orabstain from voting at his/her discretion.

ADMISSION CARD

2ndAnnual General Meeting to be held on 18th October 2016 at 10.00am at the Abora & MazoniaSuites, Eko Hotel & Suites, Victoria Island, Lagos

Name of Shareholder (in BLOCK LETTERS) ___________________________________

Number of Shares held________________________

IMPORTANT

1. Before posting the above Proxy Form, please tear off this part and retain it. A person attending the Annual General Meeting of the Company or his/her proxy should produce this card to secure admission to the meeting.

2. A member of the Company is entitled to attend and vote at the Annual General Meeting of the Company. He/She is also entitled to appoint a proxy to attend and vote instead of him/her, and in this case, the above card is required for the appointment of a proxy.

3. The above Proxy Form, when completed, must be deposited at the office of the Registrars, Meristem Registrars Ltd, 213 Herbert Macaulay Road, Yaba, Lagos not less than forty-eight (48) hours before the time fixed for the meeting.

4. It is a requirement of the law under the Stamp Duties Act, Cap. A8, Laws of the Federation of Nigeria, 2004, that any instrument ofproxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must bear a stamp duty ofN50.00 (Fifty Naira).

5. If the Proxy Form is executed by a Company, it should be sealed under its Common Seal or under the hand and seal of its attorney.

Signature of Person attending: ___________________________

* The Company's external auditor is KPMG Professional Services

Notes

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Nigeria Mortgage Refinance Company

5th Floor Pent House, Clan Place
1386A, Tigris Crescent, Maitama Abuja.

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