



*Annual Report &
Accounts 2021*



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.

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01

Corporate Disclosures and Reports

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01

Corporate Disclosures And Reports



CORPORATE INFORMATION

Directors

Adeyemi Candide-Johnson
(SAN, FCI Arb)
Chairman (Independent)

Kehinde Ogundimu
Managing Director/CEO

Fatima Wali-Abdurrahman
Non-Executive Director (Independent)

Alexander Adeyemi
Non-Executive Director

Adeyemi Adeola
Non-Executive Director

Uche Orji
Non-Executive Director

Olufemi Johnson, DBA
Non-Executive Director

Olabanjo Obaleye, DBA
Non-Executive Director

Herbert Wigwe
Non-Executive Director

Corporate Information

Corporate Office

17, Sanusi Fafunwa Street
Victoria Island
Lagos

Registration Number

RC1123944

Tax Identification Number

17836949-0001

Company Secretary

Tochukwu Kelly Mogbo
17, Sanusi Fafunwa Street
Victoria Island
Lagos

Contact Information

Website: www.nmrc.com.ng
Email: info@nmrc.com.ng
Tel: +2349087628273

Auditors

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos
Tel: (01) 271 8955
www.home.kpmg.com/ng

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting (“AGM”) of Nigeria Mortgage Refinance Company PLC (“the Company”) will hold at Abora Hall, Eko Hotel and Suites, Adetokunbo Ademola Street, Victoria Island, Lagos on Thursday, 28th July 2022, at 10.00 a.m. to transact the following:

ORDINARY BUSINESS

1. To lay before the Company in general meeting, the Audited Financial Statements for the period ended 31st December 2021 and the Reports of the Auditors, the Directors and the Statutory Audit Committee thereon
2. To declare a dividend
3. To re-elect the following retiring Directors:
 - (a) Mr. Alexander Adeyemi, as Director
 - (b) Dr. Olabanjo Obaleye, as Director
 - (c) Mrs. Fatima Wali-Abdurrahman, as Director
4. To disclose the remuneration of managers
5. To re-appoint KPMG Professional Services as Auditors to the Company from the end of the Annual General Meeting until the end of the next Annual General Meeting
6. To authorise the Directors to fix the remuneration of the Auditors
7. To elect members of the Statutory Audit Committee
9. To consider and if thought fit, pass the underlisted as special resolutions of the Company:
 - a. *‘THAT the approval of the Shareholders be and is hereby granted for the cancellation of the Company’s unissued share capital of ₦6,374,555,573.00 divided into 6,374,555,573 ordinary shares of ₦1.00 each and that the share capital of the Company be modified from ₦8,500,000,000.00 divided into 8,500,000,000 ordinary shares of ₦1.00 each to ₦2,125,444,427.00 divided into 2,125,444,427 ordinary shares of ₦1.00 each, and that the memorandum of association be amended accordingly’.*
 - b. *‘THAT the Company be and is hereby authorised to perform all acts and to do all such other things as may be necessary for or incidental to giving effect to Resolution 9(a)’.*
10. To consider and if thought fit, pass the underlisted as special resolutions of the Company:

“THAT the Articles of Association of the Company be amended as follows:

 - a. *Insertion of the provisions of CAMA 2020 to replace the corresponding provisions cited from CAMA 1990.*

SPECIAL BUSINESS

8. To consider and if thought fit, pass the underlisted as an ordinary resolution of the Company:

‘THAT the Directors’ compensation package presented by the Board be and is hereby approved’.

b. Amendment of Article 12.8 to read as follows:

'Unless otherwise determined by the Company by Ordinary Resolution, all retiring Directors shall be eligible for re-election in the manner stated below:

- i. Non-Executive Directors, for two further terms of four years
- ii. Independent Directors, for one further term of four years

after which time any such Director shall retire and be disqualified from being re-appointed, subject to the provisions of extant laws'.

c. Amendment of Article 12.18 to read as follows:

'Board meetings shall be held at least once every quarter and at any time the Directors deem fit and at any such place as may be agreed amongst the Directors.'

Dated this 30th day of June 2022

BY THE ORDER OF THE BOARD



TOCHUKWU MOGBO

Company Secretary

FRC/2017/NBA/00000016357

17, Sanusi Fafunwa Street
Victoria Island
Lagos

NOTES

1. PROXY

In view of the extant Corporate Affairs Commission guidelines, all members are advised that attendance at the AGM shall be by proxy and limited to a maximum of twenty persons, subject to the provisions of the Company's Articles of Association. The names of the proxies have been provided in the proxy form.

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in its stead. A proxy form is attached to this Notice and is valid for the purpose of the meeting. All proxy forms should be deposited at the office of the Registrars, **Meristem Registrars & Probate Services Limited, 213 Herbert Macaulay Way, Adekunle, Yaba, Lagos**, or forwarded via email to info@meristemregistrars.com copying tmogbo@nmrc.com.ng not later than 48 hours prior to the time of the meeting. The Company undertakes to bear the responsibility for stamping the proxy form at the Stamp Duties Office.

2. ELECTRONIC INFORMATION

Relevant documents in connection with the meeting are available to all Shareholders from the date of this notice on the Company's website www.nmrc.com.ng.

3. DIVIDEND

If the proposed dividend recommended by the Directors is approved by the members at the Annual General Meeting ("AGM"), the dividend will be payable by Friday, 29th July 2022 or soon thereafter, at the rate of 46 kobo for every ordinary share of ₦1.00, to Shareholders whose names appear in the Register of Members at the close of business on Thursday, 21st July 2022. Shareholders who have completed the e-dividend Mandate forms will receive a direct credit of the dividend into their bank accounts.

4. CLOSURE OF REGISTER OF MEMBERS

In accordance with Section 114 of the Companies and Allied Matters Act, 2020,

please note that the Register of Members of the Company will be closed on Monday, 18th July 2022 to Friday, 22nd July 2022 (both dates inclusive) to enable the Registrars update the records in preparation for the payment of dividend.

5. E-DIVIDEND MANDATE

Shareholders are kindly requested to update their records and advise the Registrars, Meristem Registrars and Probate Services Limited of their updated records and relevant bank account information for payment of their dividends. Detachable forms in respect of the mandate for e-dividend payment and Shareholder data update are attached to the Annual Report for convenience. The forms can also be downloaded from the Company's website at www.nmrc.com.ng.

The duly completed form should be delivered to **Meristem Registrars and Probate Services Limited at 213 Herbert Macaulay Way, Adekunle, Yaba, Lagos** or submitted electronically to info@meristemregistrars.com, copying tmogbo@nmrc.com.ng.

6. 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 that it holds.

7. AUDIT COMMITTEE

The Audit Committee consists of three Shareholders' and two Directors' representatives respectively. In accordance with section 404(6)

of the Companies and Allied Matters Act, 2020, any Shareholder may nominate a Shareholder representative for appointment to the Audit Committee. Such nomination should be in writing and should reach the Company Secretary at least twenty-one (21) days before the AGM. 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.

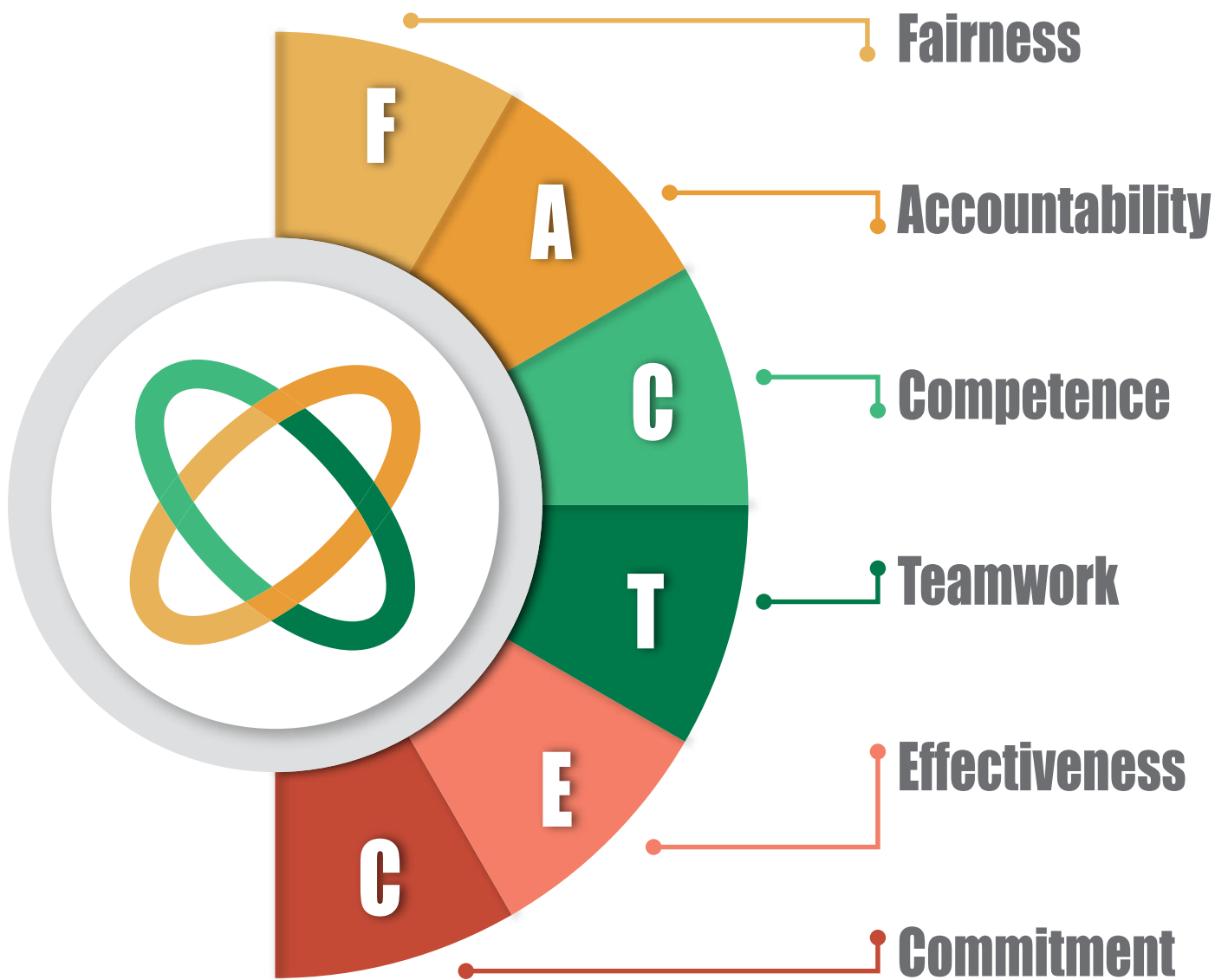
8. RETIREMENT/RE-ELECTION OF DIRECTORS

The following Directors: (i) Mr. Alexander Adeyemi (ii) Dr. Olabanjo Obaleye (iii) Mrs. Fatima Wali-Abdurrahman are retiring at the AGM in line with Section 285 of the Companies and Allied Matters Act, 2020. The retiring Directors, being eligible, are offering themselves for re-election as Directors at the AGM.

9. RIGHT TO ASK QUESTIONS

Members have a right to ask questions on their observations or concerns arising from the 2021 Annual Report and Accounts, not only at the meeting, but also in writing prior to the meeting, provided that such questions in writing are submitted not later than 14th July 2022.

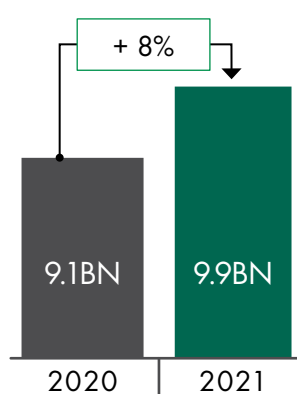
OUR CORE VALUES



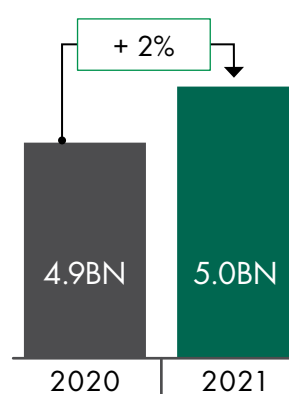
RESULTS AT A GLANCE

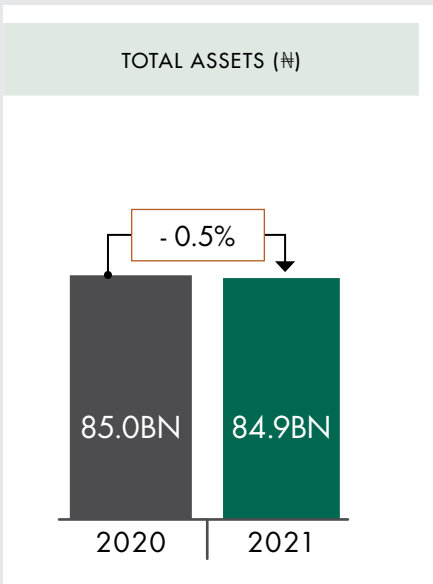
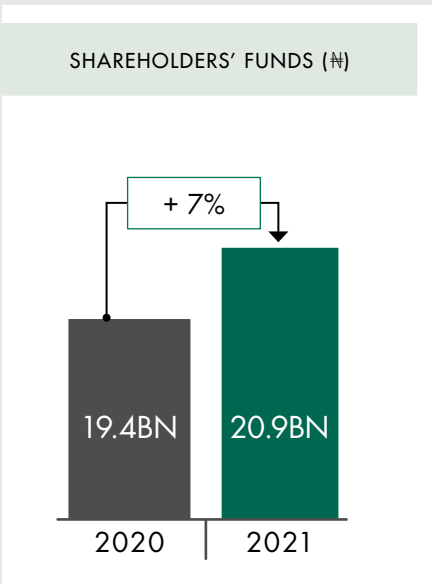
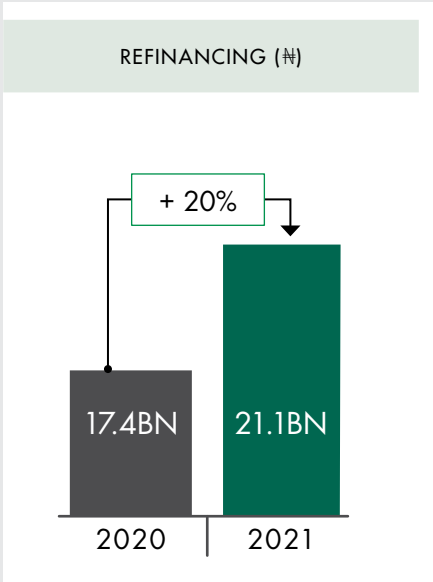
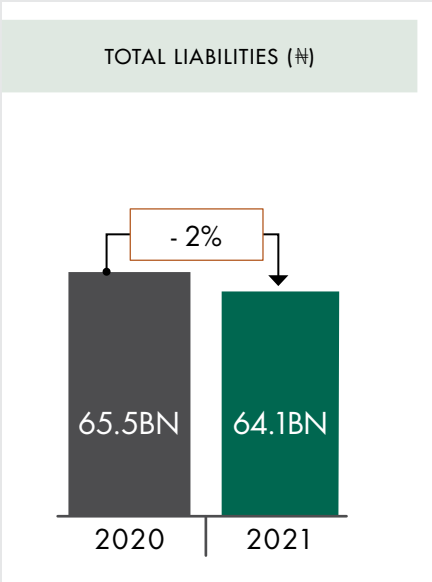
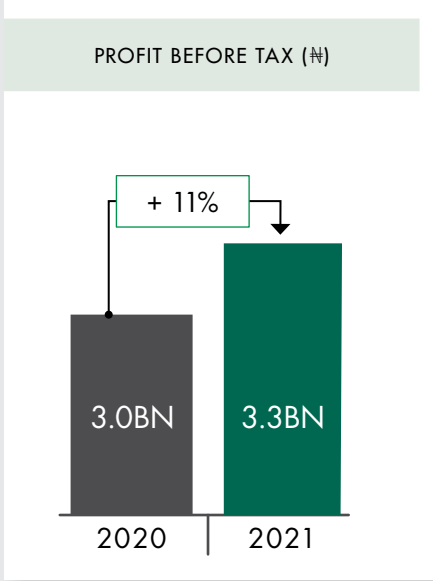
<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Gross Earnings	9,905,832	9,177,525
Net Interest Income	5,024,573	4,908,643
Profit Before Tax	3,386,755	3,039,853
Total Liabilities	64,073,185	65,559,972
Refinancing	21,104,863	17,478,531
Shareholders' Funds	20,925,303	19,484,747
Total Assets	84,998,488	85,044,719

GROSS EARNINGS/INCOME (₦)



NET INTEREST INCOME (₦)





CHAIRMAN'S STATEMENT



Adeyemi Candide-Johnson
(SAN, FCI Arb)

Chairman

Distinguished shareholders, members of the Board of Directors, ladies, and gentlemen, welcome to our 8th Annual General Meeting. In many ways, 2021 marked the beginning of a possible “new normal”. Human ingenuity was on full display with the development and roll out of multiple COVID-19 vaccines less than a year after the initial outbreak of COVID-19. The high efficacy of the vaccines resulted in the easing of restrictions and the rebound of economic activities from the short but severe COVID-19 induced economic contraction of 2020.

While the delta and omicron variants expanded the reach and devastating impact of the pandemic, consumer demand and business confidence accelerated much more rapidly than expected. According to the International Monetary Fund (IMF), real global growth in 2021 was 5.91% against a contraction of 4.4% in 2020. The accommodative programs implemented by fiscal and monetary authorities to combat the negative impact of the pandemic had the unintended consequence of triggering unprecedented inflationary pressure. To address the inflationary pressure, monetary

authorities in South Korea, New Zealand, Brazil, Russia, and South Africa rolled back asset purchase programs and started hiking interest rate in 2021.

At NMRC, we took major steps forward in the expansion of our refinancing business. Building on the regulatory approval to refinance banks that do not have equity investment in our Company, we deepened the mortgage finance sector by providing liquidity to four new banks that fall into this category. We ended 2021 with incredible optimism about NMRC's mission and potential, while being mindful of the sense of urgency to realize our potential.

MACROECONOMIC OVERVIEW

Nigeria's economic recovery accelerated in the year under review on the back of aggressive infrastructure drive by fiscal authorities and accommodative monetary policies of the Central Bank of Nigeria. The Central Bank continued its intervention in the agricultural sector through its Anchor Borrowers' Program and the Commercial Agriculture Credit Scheme. Data from the Nigeria Bureau of Statistics (NBS) showed that Gross Domestic Product (GDP) grew by 0.51%, 5.01%, 4.03% and 3.98% in Q1, Q2, Q3 and Q4, respectively. The non-oil sector accounted for 92.8% of Nigeria's GDP in 2021. Security challenges held back the growth of the agricultural sector. Even though the oil sector contracted by 8.3% in 2021, it remains the largest source of foreign exchange. The passage of the Petroleum Industry Act (PIA) is expected to have massive positive impact on the oil sector and increase government's revenue.

Despite moderating for eight consecutive months in 2021, inflation remained a major headwind to economic growth and recorded a significant uptick relative to 2020. Inflation was far above the CBN target of 6-9 percent and above the 11.95 percent benchmark set by the Federal Government in the 2021 budget. Crude oil prices rebounded in 2021 with U.S. West Texas Intermediate (WTI) and Brent averaging \$68 per barrel and \$71

per barrel, respectively. In May 2021, the CBN adopted the Nigerian Autonomous Foreign Exchange (NAFEX) rate as the official exchange (interbank) rate. Despite CBN's frequent intervention in the foreign exchange market to support the Naira, including the stoppage of the sale of foreign exchange to Bureau De Change (BDC) operators, the pressure on the Naira was relentless. As at the end of December 2021, the exchange rate stood at an average of ₦412.03/\$1 at the interbank segment of the market and ₦414.60/\$1 at the Investors and Exporters (I&E) window.

Investors were bullish on Nigerian equities during the year. The All-Share Index (ASI) increased by 6%, from 40,270.72 index points at the beginning of the year to the 42,716.44 index points at the end of the year. The phenomenal gain in equities is attributable to Investors' rotation out of fixed income into equities because of the relatively lower yield on fixed income.

NMRC FINANCIAL PERFORMANCE REVIEW

On the back of the economic rebound and regulatory suspension of the restriction on dealing with non-shareholder banks, we refinanced four banks in 2021 for the first time. Gross earnings increased by 7.9% from ₦9.18billion in 2020 to ₦9.91billion in 2021, Net interest income increased by 2.4% from ₦4.91billion in 2020 to ₦5.02billion, while expenses decreased by 5.6% from ₦1.88billion in 2020 to ₦1.78billion in 2021. These resulted in an 11.1% increase in profit before tax of ₦3.04billion in 2020 to ₦3.39billion in 2021.

DIVIDEND

Consistent with our practice since the expiration of the moratorium on dividend, and to demonstrate our unwavering commitment to enhancing shareholder value, the Directors are proposing a dividend of 46 kobo per share, which is subject to appropriate withholding tax.

THE BOARD

Our Board is committed to setting the strategic direction of the Company and to ensuring laser-focus execution of strategic initiatives by the Management. I am extremely grateful for the efforts and support of my colleagues on the Board. There were no changes to the Board during the year.

THE ROAD AHEAD

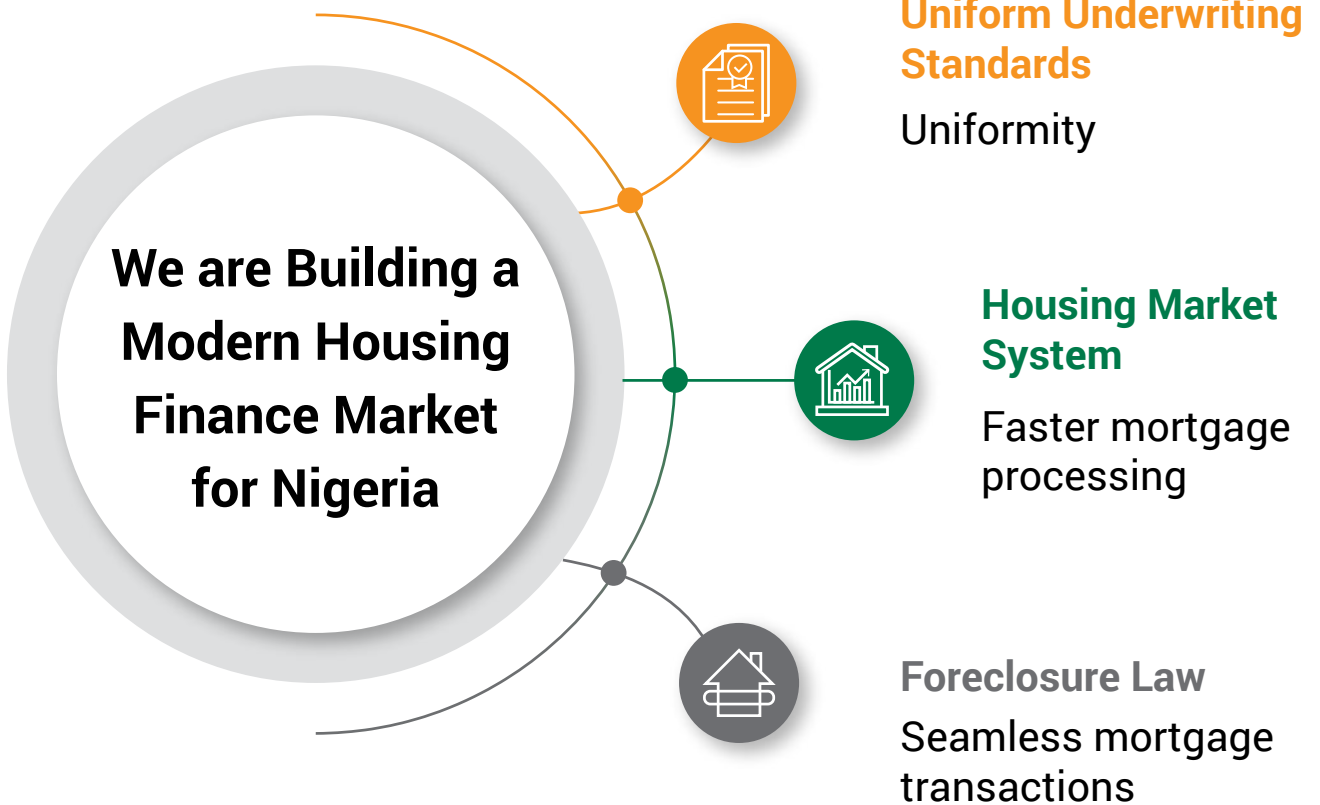
We expect a muted global growth in 2022 as Central Banks hike rates to contain inflation. We expect inflation to continue to outpace wage growth thereby reducing disposable income. These should either reduce the demand for homeownership or at best maintain the current level of demand. Overall, the economic prospect in 2022 remains that of cautious optimism and we are well-positioned to execute against these potential headwinds, should they turn to reality. We will grow and strengthen our existing business relationships, establish, and nurture new business relationships, diversify our products, and improve our operational efficiency.

ACKNOWLEDGEMENT

I would like to end by thanking our shareholders for their trust in the Board and Management team and their overwhelming support, without which we could not have pulled through the pandemic unscathed. I thank my fellow Board members for their vision and exemplary leadership during the year. I thank the Management team for the execution of our strategic goals.

Finally, I would like to thank our regulators, the Central Bank of Nigeria and the Securities and Exchange Commission as well as other government agencies connected with our business, for their support and guidance.

IMPACT



CEO'S STATEMENT



Kehinde Ogundimu

Chief Executive Officer

I warmly welcome you, our highly esteemed shareholders to our 8th Annual General Meeting and I am delighted to present our full-year report for the year ended December 31, 2021.

2021 IN RETROSPECT

2021 was another challenging year, while COVID-19 vaccines were rolled out globally, some countries dealt with very significant outbreaks and many more operated under various restrictions at different points. The global economy recovered from the pandemic-induced contraction of 2020. The recovery

was largely attributable to fiscal and monetary support in many countries and the adaptation of economic activities to restrictions and supply chain disruptions.

Though fragile, the Nigerian economy continued on the path of recovery in 2021 with the economy showing sustained positive growth over the last five quarters since the economy exited recession in Q4 2020. Despite the positive outlook and increase in crude oil prices, Foreign Exchange (FX) flows came under intense pressure. To address the forex challenges in the economy, the Central Bank Nigeria (CBN) initiated the RT200

Non-Export Repatriation Scheme which has now made non-oil export drive a compelling business proposition for banks

According to the National Bureau of Statistics (NBS), aggregate output, measured by Gross Domestic Product (GDP), grew by 3.98% in the last quarter of 2021, up from the 0.51% growth recorded in Q1 2021. Annual economic output grew by 3.4% in 2021 compared to the negative GDP growth of -1.92% in 2020.

PERFORMANCE REVIEW

NMRC delivered a good financial performance in 2021 by simultaneously increasing the top line and decreasing the bottom line. Gross earnings increased by 7.9% from ₦9.18 billion in 2020 to ₦9.91 billion in 2021 due to the increase in the yield on investments. Net Interest Income increased by 2.4% from ₦4.91 billion in 2020 to ₦5.02 billion in 2021. Total expenses decreased by 5.6% from ₦1.88 billion in 2020 to ₦1.78 billion in 2021. Profit before income tax increased by 11.1% from ₦3.04 billion in 2020 to ₦3.39 billion in 2021. Similarly, earnings per share increased by 11.1% from ₦1.40 in 2020 to ₦1.56 in 2021. Cost-to-income (efficiency) ratio improved from 38.2% in 2020 to 34.5% in 2021.

Capital adequacy ratio improved from 80% in 2020 to 84% in 2021, far more than the regulatory requirement of 10%.

MARKET DEVELOPMENT

As we have done for several years, we again collaborated with the Industrial Training Fund (ITF) to empower unemployed youths with technical skills in masonry, plumbing, carpentry, tiling, and electrical works as part of our 2021 Corporate Social Responsibility Program. The exercise marked the sixth batch of trainees delivered by NMRC's annual skills acquisition program. The vocational and entrepreneurship training is designed to achieve the dual purpose of enhancing the livelihoods of the youth while tackling the skills gap in the housing construction industry in Nigeria.

AWARDS & RECOGNITION

We received the "Best Mortgage Institution" Award at the maiden edition of Shelter Afrique's Award event. The award was in recognition of the critical role that NMRC is playing in the development and growth of the mortgage market in Nigeria.

LOOKING FORWARD

We expect heightened volatility as the global economy contends with inflationary pressures induced by the dislocations caused by COVID-19 Pandemic and Russia's invasion of Ukraine. Uncertainty will endure, shifting from pandemic to war, and affecting all countries but in different ways. The economic damage from the conflict will contribute to a significant slowdown in global growth in 2022 and add to inflation. Unfortunately, Nigeria will not be spared.

We believe the growth trends of digitalization and electrification will dominate market narrative in future as decarbonization gathers pace. Accordingly, we remain bullish on financing green buildings.

ACKNOWLEDGEMENT

I want to thank our staff for the sense of duty and the care they continue to extend our customers, stakeholders and to each other. Finally, I want to recognize the contribution of the Board for their leadership; our success now and in the future rests on everyone doing their part diligently.

THE BOARD



Adeyemi Candide-Johnson (SAN, FCIArb)
Chairman

Mr. Adeyemi Candide-Johnson (SAN, FCIArb) 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 Senior Advocate of Nigeria in September 2003.

Between 1984 and 1990, he was Counsel in the leading chambers of J. 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.



Kehinde Ogundimu
Chief Executive 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 a fellow of the Institute of Chartered Accountants of Nigeria (FCA), a member of the American Institute of Certified Public Accountants (CPA), a Chartered Financial Analyst (CFA) Charterholder and a fellow of the Chartered Institute of Taxation of Nigeria (FCTI).

He has attended several executive management programs in leading educational institutions including Harvard Business School and Gordon Institute of Business Science, University of Pretoria, South Africa.



Adeyemi Adeola
Non-Executive Director

Mr. Adeyemi Adeola was the immediate past Managing Director/Chief Executive officer of Sterling Bank PLC, a position he retired from in April 2018. His banking career started at Citibank Nigeria Ltd, where he worked between August 1988 and June 2003 in various capacities including, among others, Chief Legal Counsel, 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 and rose to become the substantive MD in February 2008.

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

Mr. Adeola holds a Bachelor of Law (LLB) degree from the University of Ife (now Obafemi Awolowo University) 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 also a John F. Kennedy Scholar.



Alexander Adeyemi
Non-Executive Director

Alexander Adeyemi, FCA, FCTI, MNI is a distinguished fellow of the National Institute for Policy and Strategic Studies (NIPSS), Kuru. He comes with over 25 years' finance and accounting experience, working in the public and private sectors including International organisations. He currently serves as Director, Revenue and Investment in the Office of the Accountant-General of the Federation. An alumnus of Bayero University Kano, he obtained a Master's degree in Business Administration (MBA) from Ahmadu Bello University, Zaria. He is a fellow, Institute of Chartered Accountants of Nigeria (ICAN); Fellow, Chartered Institute of Taxation of Nigeria (CITN); and Member, Institute of Bankers, London. He is also a member of the Chartered Institute of Public Finance and Accountancy (CIPFA), London and a Certified Information System Auditor (CISA).



Olufemi Johnson, DBA
Non-Executive Director

Olufemi Johnson is the Managing Director/CEO Homebase Mortgage Bank, a Non-Executive Director of Mortgage Warehouse Funding Limited (MWFL), and a past president of the Mortgage Banking Association of Nigeria (MBAN), where he has served on the executive committee in various capacities for 14 years, and currently serves as a member of the Board of Trustees. He also served for 4 years on the Governing Council of the Chartered Institute of Bankers of Nigeria (CIBN), and as Chairman of Corona School Lekki.

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.

He 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, an Honorary Senior Chartered Banker (HCIB) of the Chartered Institute of Bankers of Nigeria (CIBN), and also an Associate of the New York State Society of Certified Public Accountants, (NYSSCPA). In the course of his career, he has had varied experience in banking, covering areas like Credits and Marketing, Financial Control, Strategy and Planning, Treasury, Banking Operations, Branding and Communications, Mortgage Banking, etc.

He has attended several training courses, including courses at the Cranfield University, Cambridge University, INSEAD University, IESE Business School of the University of Navarra, Spain, Shanghai Jiao Tong University, China, National University of Singapore, Wharton School, University of Pennsylvania, USA, IMD Switzerland, Frankfurt School of Finance & Management, Germany, World Bank, USA, as well as Canada Mortgage & Housing Corporation, Canada.



Olabanjo Obaleye, DBA
Non-Executive Director

Olabanjo Obaleye is the immediate past Managing Director/CEO of Infinity Trust Mortgage Bank PLC. He holds a Doctorate Degree in Business Administration (DBA) from Walden University, Baltimore, USA. He obtained a master's degree in Financial Management from the University of Abuja and BSc Accounting from Obafemi Awolowo University. He has worked in several banking institutions, which include Afribank Nigeria, Midas Bank, and Societe Bancaire Nigeria Limited before joining Infinity Trust Mortgage Bank as GM/CEO in 2004. Dr. Obaleye is a Fellow (FCA) of the Institute of Chartered Accountants of Nigeria (ICAN); Associate of the Chartered Institute of Taxation of Nigeria (CITN), and a Member, Institute of Directors of Nigeria (M, IOD). He has attended several executive management programs in leading Institutions like Wharton Business School, University of Pennsylvania, USA; Strathmore University Business School, Nairobi, Kenya; Lagos Business School, Nigeria, among others.



Uche Orji

Non-Executive Director

Uche Orji is the Managing Director & Chief Executive Officer of the Nigeria Sovereign Investment Authority (NSIA). He brings an extensive wealth of global experience garnered in the financial services sector to his role as pioneer Chief Executive of the NSIA which contributed to his reappointment for a second tenure by President Muhammadu Buhari in 2017.

He joined the NSIA as the CEO on 2nd of October 2012, from Switzerland's largest bank, UBS, 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. Prior to his time at Goldman Sachs and the Harvard MBA program, Uche Orji worked at Diamond Bank PLC, Lagos Nigeria and had hitherto worked at Arthur Andersen & Co. Nigeria.

While at JP Morgan, London, Mr. Orji was the lead semiconductor analyst and global coordinator for Semiconductor research at UBS, covering more than 35 technology companies in the US and more than 100 investor clients globally. Mr. Orji was ranked number 1 by the institutional Investor magazine in 2006 and number 1 by Thompson/Extel in 2003 out of more than 60 semiconductor equity analysts in Europe.

Mr. Orji was a regular commentator at major media houses including CNBC and Bloomberg TV, and provided strategic advice to the management of companies such as Intel Electronics, AMD, Texas Instruments, ARM Holdings etc. He advised several global portfolio management firms and sovereign wealth funds in his role as an analyst and global coordinator of semiconductor research for UBS. Uche also co-authored several hundred research pieces in the semiconductor sector and broader technology investment sectors.

Mr. Orji studied Chemical Engineering at the University of Port Harcourt, Nigeria, graduating in 1990, and obtained an MBA from the Harvard Business School in 1998.



Fatima Wali-Abdurrahman

Independent Non-Executive Director

Fatima Wali-Abdurrahman is Senior Advisor to the Group President at both Dangote Industries Limited (Stakeholder Relations) and the Aliko Dangote Foundation (Special Projects).

She is the Founder and non-Executive Chairperson of Filmo Group, made up of companies operating across various sectors of the real estate value chain including facilities management and real estate development and advisory.

She has over 30 years of commercial real estate experience, encompassing development and project management, architectural design and consulting. Prior to starting the Filmo Group in 1994, Fatima was Head of Real Estate, Cosmocorp Realty (a part of the Cosmocorp Group) and General Manager at Alpha Properties International Ltd. She has in various capacities, initiated and worked on several projects including pioneering the concept of fully-fitted luxury apartments in Nigeria, and development advisory consulting for the first commercial development at Eko Atlantic City, Nigeria's most ambitious reclaimed new city development.

Actively involved in the real estate industry, Fatima is the Deputy President, Housing Finance Professionals Association of Nigeria (HoFPAN). She has participated at the Harvard Business School's Africa Business Conference and Stanford University's Africa Business Forum.

She has served on the boards of a number of companies and is also a member of the Landmark Lagos Advisory Board as well as the Women Corporate Directors (WCD), the world's largest membership organization and community of women corporate board directors. Fatima is also a WIMBIZ (Women in Management, Business and Public Service) WIMBoard Lead Ambassador.

Fatima holds a BA (Arch.) & BA (Urban Studies) from the University of Minnesota and M.Sc. (Arch.) from the Bartlett School of Architecture & Planning, University College (UCL), University of London. She is also a qualified Facility Management Professional (FMP).



Herbert Wigwe

Non-Executive Director

Herbert Wigwe started his professional career with Coopers and Lybrand Associates, 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 recipient of an honorary Doctorate Degree from the University of Port Harcourt. He is the Chairman of The Access Bank (UK) Ltd.

DIRECTORS' REPORT

The Directors are pleased to present to members, their report together with the financial statements and auditors' report of Nigeria Mortgage Refinance Company PLC (the "Company") for the year ended 31st December 2021.

(A) LEGAL FORM AND PRINCIPAL ACTIVITY

Nigeria Mortgage Refinance Company PLC (the "Company") was incorporated on 24th June 2013 as a public limited liability company and commenced operations on 1st March 2015. The Company is registered with the Securities and Exchange Commission (SEC) and regulated

by the Central Bank of Nigeria (CBN) as a mortgage refinance company.

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

(B) OPERATING RESULTS

The highlights of the Company's operating results for the year under review are as follows:

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Gross earnings	9,905,832	9,177,525
Profit before income tax and minimum tax	3,386,755	3,039,853
Income tax expense	(43,571)	(30,574)
Minimum tax	(24,760)	(23,209)
Profit after taxation	3,318,424	2,986,070
Other comprehensive income for the year, net of income tax	(1,006,436)	685,764
Total comprehensive income for the year	2,311,988	3,671,834
Earnings per share (Basic and diluted) - kobo	156 k	140 k

(C) DIVIDEND

The Directors have recommended for approval, the payment of a dividend of ₦977,704,436 (46 kobo per share of the 2,125,444,427 ordinary shares) on the issued share capital for the year ended 31 December 2021. In 2021, the shareholders approved the payment of ₦871,432,040 (41 kobo per share of the 2,125,444,427 ordinary shares) on the issued share capital for the year ended 31 December 2020.

(D) DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

		Direct		Indirect	
		No. of shares held	% Holding	No. of shares held	% Holding
Adeyemi Candide-Johnson (SAN, FCI Arb)	<i>Chairman (Independent)</i>	-	-	-	-
Kehinde Ogundimu	<i>Managing Director/CEO</i>	-	-	-	-
Fatima Wali-Abdurrahman	<i>Independent Non-Executive Director</i>	-	-	-	-
Alexander Adeyemi	<i>Non-Executive Director</i>	-	-	-	-
Herbert Wigwe	<i>Non-Executive Director</i>	-	-	-	-
Adeyemi Adeola	<i>Non-Executive Director</i>	-	-	-	-
Uche Orji	<i>Non-Executive Director</i>	-	-	-	-
Olufemi Johnson, DBA	<i>Non-Executive Director</i>	-	-	-	-
Olabanjo Obaleye, DBA	<i>Non-Executive Director</i>	-	-	-	-

The Directors do not have any other interests required to be disclosed under Section 301 of the Companies and Allied Matters Act, 2020 (CAMA) of Nigeria.

(E) DIRECTORS' INTEREST IN CONTRACTS

None of the Directors has notified the Company for the purpose of section 303 of the Companies and Allied Matters Act, 2020, of any declarable interest in contracts which the Company is involved.

(F) RECORD OF DIRECTORS' ATTENDANCE

The register showing Directors' attendance at Board Meetings are available for inspection at the Annual General Meeting in line with Section 284 (2) of the Companies and Allied Matters Act, 2020.

(G) ANALYSIS OF SHAREHOLDING

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

Shareholders	31 December 2021		31 December 2020	
	Number of holdings	Percentage of holdings (%)	Number of holdings	Percentage of holdings (%)
Nigeria Sovereign Investment Authority	444,444,444	20.91	444,444,444	20.91
Ministry of Finance Incorporated	333,333,333	15.68	333,333,333	15.68
Homebase Mortgage Bank Limited	277,777,777	13.07	277,777,777	13.07
First Trust Mortgage Bank PLC	191,555,554	9.01	191,555,554	9.01
FHA Homes Limited	138,888,888	6.53	138,888,888	6.53

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

31 December 2021				
Range	Number of Shareholders	% of Shareholders	Number of Holdings	% of Shareholdings
1,000,000 - 50,000,000	16	61.6	408,333,321	19
50,000,001 - 100,000,000	5	19.2	331,111,109	16
100,000,001 - 500,000,000	5	19.2	1,385,999,997	65
TOTAL	26	100	2,125,444,427	100

31 December 2020				
Range	Number of Shareholders	% of Shareholders	Number of Holdings	% of Shareholdings
1,000,000 - 50,000,000	16	61.6	408,333,321	19
50,000,001 - 100,000,000	5	19.2	331,111,109	16
100,000,001 - 500,000,000	5	19.2	1,385,999,997	65
TOTAL	26	100	2,125,444,427	100

(III) 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 risks including credit risk, market risk and operational risk;
- c) identifying, understanding and assessing the types of risks inherent in NMRC's business activities or new major 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 in 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 the senior management of NMRC and chaired by its CEO, undertake the oversight function for capital allocation and prescription of overall risk limits, aligning them to the risk appetite set by the Board.

(H) PROPERTY AND EQUIPMENT

The information relating to property and equipment is given in Note 10 to the financial statements. In the opinion of the Directors

the net realizable value of the property and equipment is not less than the value shown in the financial statements.

(I) DONATIONS AND CHARITABLE GIFTS

During the year, the Company collaborated with the Industrial Training Fund (ITF) to empower 30 unemployed youths with technical skills in housing construction and entrepreneurship. This marked the sixth batch of NMRC's annual skills acquisition program that is designed to achieve the dual purpose of enhancing the livelihoods of youth as well as contributing to tackling the skills gap in the housing construction industry in the country.

(J) HUMAN RESOURCES

As at 31st December 2021, the Company had 23 employees. The Company operates a non-discriminatory policy on recruitment. Applications by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is provided. It is the policy of the Company that the training, career development and promotion of disabled persons should as far as possible, be identical with those of other employees. The Company had no disabled person in its employment as at December 31st 2021 (2020: nil).

Gender analysis of employees during the year

Description	31 December 2021		
	Number	% of Total staff	% of Total new hire
Female new hire	2	8.70%	50.00%
Male new hire	2	8.70%	50.00%
Total new hire	4	17.39%	100.00%
Female as at December 2021	9	39.1%	
Male as at December 2021	14	60.9%	
Total Staff	23	100.0%	

Description	31 December 2020		
	Number	% of Total staff	% of Total new hire
Female new hire	-	0.00%	0.00%
Male new hire	1	4.17%	100.00%
Total new hire	1	4.17%	100.00%
Female as at December 2020	9	37.5%	
Male as at December 2020	15	62.5%	
Total Staff	24	100.0%	

(K) EVENTS AFTER THE REPORTING DATE

Apart from the event disclosed in Note 29 of the financials statements, there are no other subsequent events that need to be accounted for or disclosed in the financial statement.

(L) AUDITOR

Messrs KPMG Professional Services, having satisfied the relevant corporate governance rules during their tenure, have indicated their willingness to continue in office as auditor to the Company. In accordance with section 401(2) of the Companies and Allied Matters Act 2020, therefore, the auditor will be re-appointed, at the next annual general meeting of the Company without any resolutions being passed.

BY THE ORDER OF THE BOARD



TOCHUKWU MOGBO

Company Secretary

FRC/2017/NBA/00000016357

17, Sanusi Fafunwa Street

Victoria Island

Lagos

22 March 2022

STATEMENT OF CORPORATE RESPONSIBILITY & CERTIFICATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

In line with the provisions of Section 405 of CAMA 2020 and Section 60(2) of the Investment and Securities Act, we have reviewed the audited financial statements of the Company for the year ended 31st, December, 2021 and based on our knowledge confirm as follows:

- (i) The audited financial statements do not contain any untrue statements of material fact or omit to state a material fact, which would make the statements misleading considering the circumstance under which such statement was made.
- (ii) The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the period ended 31 December 2021.
- (iii) The Company's internal controls have been designed to ensure that all material information relating to the Company is received and provided to the Auditors in the course of the audit.
- (iv) The Company's internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31 December 2021.
- (v) We have disclosed to the Company's Auditors and the Audit Committee the following information:
 - (a) there were no significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have discussed with the auditors any weaknesses in internal controls observed in the course of the audit.
 - (b) there is no fraud involving management or other employees which could have any significant role in the Company's internal control.
- (vi) There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.



Kehinde Ogundimu
Chief Executive Officer
FRC/2015/ICAN/00000011195
22 March 2022



Kanayo Mba
Chief Financial Officer
FRC/2019/ICAN/00000019030
22 March 2022

CORPORATE GOVERNANCE REPORT

The Nigeria Mortgage Refinance Company PLC ("NMRC" or the "Company") 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 organisation. Our Company is a highly regulated one and we pride ourselves on having effective corporate governance practices in line with relevant regulations and international best practices.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

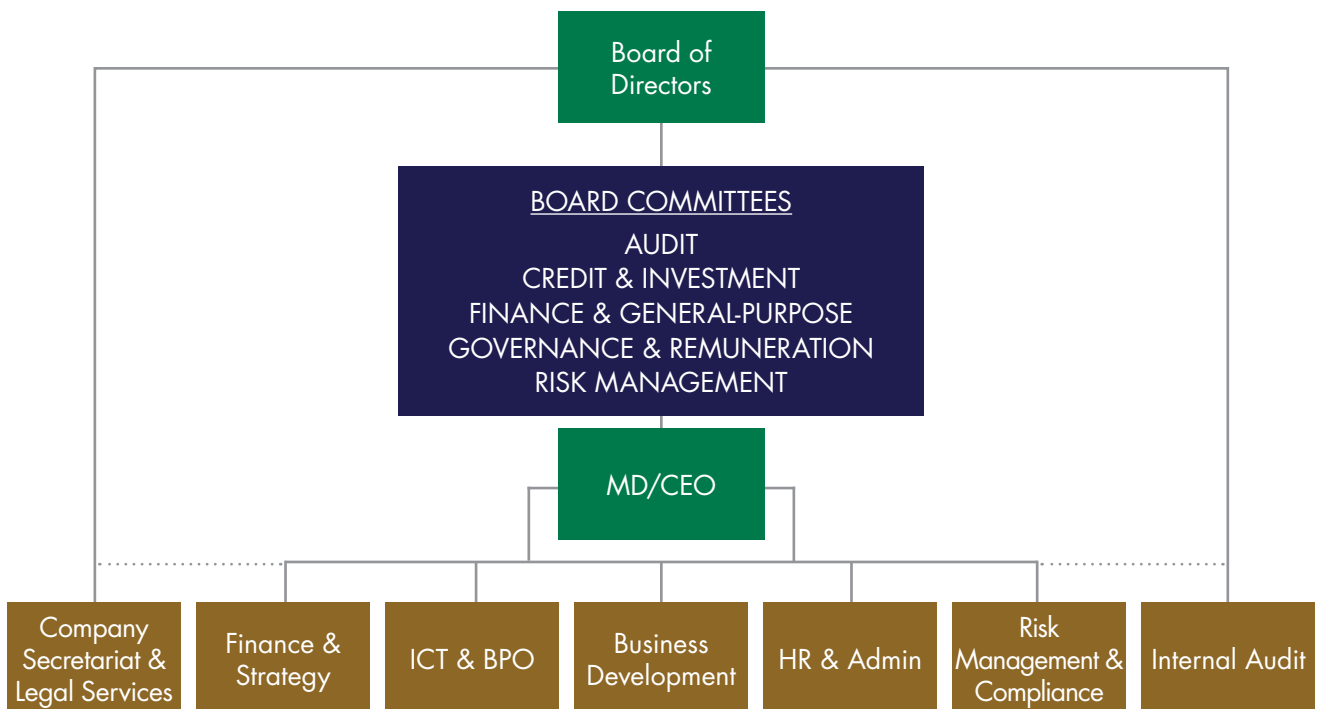
NMRC ensures that sound Corporate Governance practices are embedded in all areas of its operations. In this regard, the Company emphasizes strict adherence to the Central Bank of Nigeria (CBN) Corporate Governance Code for Mortgage Refinance Companies in Nigeria issued in October 2018, the Securities and Exchange Commission Code of Corporate Governance 2011, the Nigerian Code of Corporate Governance 2018, the

provisions of the Banks and Other Financial Institutions Act (BOFIA) 2020 and international best practices. The Company's operations are also guided by the CBN Regulatory and Supervisory Framework for the establishment of a Mortgage Refinance Company.

GOVERNANCE STRUCTURE

The Company has a Corporate Governance Strategy which has been developed to promote the effective governance of the Company. 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 consistency with current market realities. The charters also define the roles, responsibilities, scope of authority, composition and procedures for reporting to the Board. The governance structure of the Company as at 31st December 2021 was as follows:

Organization Structure



THE BOARD OF DIRECTORS

The Board is responsible for the oversight of the business, long-term strategy and objectives, and the oversight of the Company's risks while evaluating and directing the implementation of the Company's controls and procedures including, in particular, maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets.

As at 31st December 2021, the affairs of the Company were superintended by its Board which was comprised of two Independent Non-Executive Directors (one of whom is the Chairman), six (6) Non-Executive Directors, and one (1) Executive Director. Outlined below are the Directors that served in the course of the year under review.

Mr. Adeyemi Candide-Johnson SAN	Chairman (Independent Non-Executive Director)
Mr. Kehinde Ogundimu	Managing Director / Chief Executive Officer
Dr. Herbert Wigwe	Non-Executive Director
Mr. Adeyemi Adeola	Non-Executive Director
Mr. Uche Orji	Non-Executive Director
Dr. Femi Johnson	Non-Executive Director
Mrs. Fatima Wali-Abdurrahman	Non-Executive Director (Independent)
Dr. Olabanjo Obaleye	Non-Executive Director
Mr. Alexander Adeyemi	Non-Executive Director

The Board meets every quarter but may hold extra-ordinary sessions to address urgent matters requiring the attention of the Board.

Board Committees

The Board carries out its oversight functions through its various Board Committees. This enables the Directors properly assess management reports, proposals and make recommendations thereon to the full Board. This is both efficient and in compliance with applicable corporate governance regulations as well as global standards.

The Board is made up of members who are professionals and business people with vast experience and credible track records. They all have requisite integrity, skill and experience to bring independent judgment to bear on Board deliberations and decision making.

The Board of Directors are responsible for ensuring due compliance and alignment with acceptable Corporate Governance standards.

In demonstrating its commitment to the observance of the various Codes of Corporate Governance, the Company has two Independent Directors who are neither shareholders of the Company nor representatives of shareholders.

Appointments to the Board

Appointments to the Board are governed by the Company's Articles of Association as well as the

relevant laws, regulations and the Company's internal policies. The Company has detailed the procedure for nominations to the Board in its Code of Corporate Governance. The ultimate power to appoint directors is vested in the shareholders and may be exercisable on their behalf by the Board in line with applicable laws. Factors to be considered in nominations to the Board include, the suitability of the candidate in terms of knowledge, skill, experience and the value he or she is likely to bring onboard, and diversity required on the Board, including gender. The Board may delegate the recruitment process to its Governance and Remuneration Committee, which shall ensure a transparent, fair and objective procedure is followed, preferably with the support of reputable external consultants. Each appointment is subject to the approval of the Central Bank of Nigeria and the shareholders at the subsequent Annual General Meeting.

Separation of the positions of Chairman and Managing Director

The positions of the Managing Director/CEO and that of the Chairman of the Board are occupied by different persons and the Managing Director/CEO is responsible for implementation of the Company's business strategy and the day-to-day management of the business.

The Chairman is not involved in the day-to-day operations of the Company and is not a member of any committee of the Board.

Proceedings and frequency of meetings

The Board meets at least once in every quarter or as frequently as the Board's attention may be required on any situation which may arise. Sufficient notice with clear agenda/reports is usually given prior to convening such meetings. All Directors have access to the Company Secretary, who is also responsible to the Board.

Non-Executive Directors

The Non-Executive Directors possess strong knowledge of the Company's business and usually contribute actively to Board meetings.

Reporting and Control

The Board is responsible for and ensures proper financial reporting as well as the establishment of strong internal control procedures. There is a Statutory Audit Committee, a Board Audit Committee and a Head of Internal Audit in the Company.

Retirement and Rotation

In compliance with the provisions of Section 285(1) of the Companies and Allied Matters Act, 2020 which requires one-third of the Directors, or if their number is not a multiple of three, the number nearest to one-third, to retire from office at each Annual General Meeting, Mr. Alexander Adeyemi, Dr. Olabanjo Obaleye and Mrs. Fatima Wali-Abdurrahman will retire at the 8th Annual General Meeting and all three being eligible, offer themselves for re-election.

Profile of Mr. Alexander Adeyemi

Mr. Alexander Adeyemi, FCA, FCTI, is a distinguished fellow of the National Institute for Policy and Strategic Studies (NIPSS), Kuru (mni). He comes with over 25 years' finance and accounting experience, working in the public and private sectors including international organisations. He currently serves as Director, Revenue and Investment in the Office of the Accountant-General of the Federation. An alumnus of Bayero University Kano, he obtained a Master's degree in Business Administration (MBA) from Ahmadu Bello University, Zaria. He is a fellow, Institute of Chartered Accountants of Nigeria (ICAN); Fellow, Chartered Institute of Taxation of Nigeria (CITN); and Member, Institute of Bankers, London. He is also a

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

Profile of Dr. Olabanjo Obaleye

Dr. Olabanjo Obaleye is the immediate past Managing Director/CEO of Infinity Trust Mortgage Bank PLC. He holds a Doctorate Degree in Business Administration (DBA) from Walden University, Baltimore, USA. He obtained a master's degree in Financial Management from the University of Abuja and BSc Accounting from Obafemi Awolowo University. He has worked in several banking institutions, which include Afribank Nigeria, Midas Bank, and Societe Bancaire Nigeria Limited before joining Infinity Trust Mortgage Bank as GM/CEO in 2004. Dr. Obaleye is a Fellow (FCA) of the Institute of Chartered Accountants of Nigeria (ICAN); Associate of the Chartered Institute of Taxation of Nigeria (CITN), and a Member, Institute of Directors of Nigeria (M.IoD). He has attended several executive management programs in leading Institutions like Wharton Business School, University of Pennsylvania, USA; Strathmore University Business School, Nairobi, Kenya; Lagos Business School, Nigeria, among others.

Profile of Mrs. Fatima Wali-Abdurrahman

Mrs. Fatima Wali-Abdurrahman is Senior Advisor to the Group President at both Dangote Industries Limited (Stakeholder Relations) and Aliko Dangote Foundation (Special Projects).

She is the Founder and Non-Executive Chairperson of Filmo Group, made up of companies operating across various sectors, of the real estate value chain including facilities management and real estate development and advisory.

She has over 30 years of commercial real estate experience, encompassing development and project management, architectural design and consulting. Prior to starting the Filmo Group in 1994, Fatima was Head of Real Estate, Cosmocorp Realty (a part of the Cosmocorp Group) and General Manager at Alpha Properties International Ltd. She has in various capacities, initiated and worked on several projects including pioneering the concept of fully-fitted luxury apartments in Nigeria, and development advisory consulting for the first commercial development at Eko Atlantic City, Nigeria's most ambitious reclaimed new city development.

Actively involved in the real estate industry, Fatima is the Deputy President, Housing Finance Professionals Association of Nigeria (HoFPAN). She has participated at the Harvard Business School's Africa Business Conference and Stanford University's Africa Business Forum.

She has served on the boards of a number of companies and is also a member of the Landmark Lagos Advisory Board as well as the Women Corporate Directors (WCD), the world's largest membership organisation and community of women corporate board directors. Fatima is also a WIMBIZ (Women in Management, Business and Public Service) WIMBoard Lead Ambassador.

Fatima holds a BA (Arch.) & BA (Urban Studies) from the University of Minnesota, and M.Sc. (Arch.) from the Bartlett School of Architecture & Planning, University College, (UCL), University of London. She is also a qualified Facility Management Professional (FMP).

Directors' Remuneration

The annual fees payable to Non-Executive Directors is subject to the approval of the Shareholders. Shareholders will therefore be required to approve an annual fee of ₦55,250,000.00 (Fifty-Five Million, Two Hundred and Fifty Thousand Naira) only recommended by the Board to be paid to Non-Executive Directors as from the 2022 financial year.

Board Appraisal

An annual performance review is carried out by independent consultants to assess the performance of the Board. The service of DCSL Corporate Services Limited was retained to conduct the appraisal of the performance of the Board and individual Directors for 2021. The Board Evaluation Report issued by the consultants covered Board structure and composition; strategy and planning, Board operations and effectiveness, measuring and monitoring of Directors' performance, risk management and compliance, corporate citizenship as well as transparency and disclosure. Key findings from the Board Evaluation Report are contained in the Annual Report.

Accountability and Audit

The Board has presented a balanced assessment of the Company's position and prospects. The Board is mindful of its responsibilities and is satisfied that in the preparation of its financial report it has met with its obligation under the applicable Codes of Corporate Governance.

The Directors make themselves accountable to shareholders through regular publication of the Company's financial performance and annual reports. The Board has ensured that the Company's reporting procedure is conveyed on the most recent infrastructure to ensure accuracy. This procedure involves the monitoring of performance throughout the financial year in addition to monthly reporting of key performance indicators.

KPMG Professional Services acted as external auditors to the Company during the 2021 financial year.

Internal Control

The Company has consistently improved its internal control system to ensure effective management of risks. The Directors review the effectiveness of the system of internal control through regular reports and reviews at Board and Audit Committee Meetings.

Shareholders

The Company ensures the existence of adequate interaction among the shareholders, the management and the Board of the Company. The Company's General Meetings provide shareholders the platform to contribute to the administration of the Company. The Annual General Meetings (AGMs) are held in accessible locations and are open to shareholders or their proxies. The AGMs are conducted in a manner that facilitates shareholders' participation in accordance with relevant regulatory and statutory requirements. The Company encourages shareholders to attend these meetings personally or by proxy whilst ensuring that notices of meetings and other information required by shareholders to make informed decisions are dispatched in a timely manner. The office of the Company Secretary also affords shareholders channels of communication to the Board and the management of the Company.

It is the responsibility of the shareholders to approve the appointment of Directors and to grant other approvals that are required by law or the Articles of Association of the Company.

The shareholders through their representatives on the Statutory Audit Committee in line with section 404 of the Companies and Allied Matters Act, 2020 and the Securities and Exchange Commission Code of Corporate Governance for Public Companies, assume responsibility for the integrity of the Company's audited accounts. The role of the Statutory Audit Committee includes ensuring that the audit and risk management policies of the Company adhere to the appropriate legal standards.

The Committee also provides oversight functions regarding the activities of the Company's Internal and External Audit.

STATUTORY AUDIT COMMITTEE

The Company has a Statutory Audit Committee set up in accordance with the provisions of the Companies and Allied Matters Act, 2020. It comprises a mix of shareholders and Non-Executive Directors elected at the Annual General Meeting, with the shareholder-representatives being in the majority. It evaluates, annually, the independence and performance of external auditors, receives the interim and final audit presentation from the external auditors and reviews with management and the external

auditors, the annual audited financial statements before its submission to the Board.

During the year, the Committee approved the audit plan and scope of the external auditors' work for the financial year and reviewed the audited financial results before presentation to the Board.

The Committee also received reports from Management on the accounting system and internal controls framework of the Company. As of 31st December 2021, the Committee was comprised of three (3) shareholder representatives and two (2) Non-Executive Directors as follows:

S/N	COMMITTEE MEMBERS
a.	*Mr. Ayo Olowookere (Chairman)
b.	*Mr. Ifie Sekibo
c.	*Mr. Richard Olubameru ^{\$}
d.	+Dr. Femi Johnson
e.	+Mr. Alexander Adeyemi

* Shareholder representative

^{\$} Resigned from the Committee on 27th April 2022.

+ Non-Executive Director

The responsibilities of the Committee include:

- Ensuring that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- Reviewing the scope and planning of audit requirements;
- Reviewing findings of the management in conjunction with the external auditors;
- Viewing the effectiveness of the Company's system of accounting and internal control;
- Making recommendations to the Board regarding the appointment, removal and remuneration of the external auditors of the Company; and
- Authorizing the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee.

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 functions assigned by the Board, in a manner that enables the Board to focus on more strategic matters. The committees render regular reports at the Board meetings and make recommendations to the Board which 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. The Board had five (5) standing committees as at 31st December 2021, namely:

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

BOARD COMMITTEES

The Board carries out its oversight functions through its standing committees. The purpose,

The standing committees of the Board and their respective members for the period under review are as follows:

BOARD AUDIT COMMITTEE

The members of the Board Audit Committee are:

S/N	COMMITTEE MEMBERS
1.	Mrs. Fatima Wali-Abdurrahman (<i>Chairperson</i>)
2.	Dr. Femi Johnson
3.	Mr. Alexander Adeyemi
4.	Dr. Olabanjo Obaleye

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 as assigned by the Board.

BOARD CREDIT & INVESTMENT COMMITTEE

The members of the Board Credit & Investment Committee are:

S/N	COMMITTEE MEMBERS
1.	Mr. Uche Orji (<i>Chairman</i>)
2.	Mr. Alexander Adeyemi
3.	Mrs. Fatima Wali-Abdurrahman

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 making decisions upon such applications within the authority delegated to the Committee.
- d. Periodically reviewing management's strategies and activities for managing credit risk.
- e. Reviewing applicable stress testing results periodically.
- f. Monitoring the performance and quality of the Company's credit portfolio.
- g. Monitoring and ensuring adherence to and compliance with limits set out in the Company's policy statements.
- h. Reviewing and monitoring the effectiveness and application of credit risk management policies, standard and procedures.

BOARD FINANCE AND GENERAL-PURPOSE COMMITTEE

The members of the Finance and General-Purpose Committee are:

S/N	COMMITTEE MEMBERS
1.	Mr. Adeyemi Adeola
2.	Dr. Herbert Wigwe
3.	Dr. Femi Johnson
4.	Dr. Olabanjo Obaleye

The Committee is tasked with the following responsibilities:

- a. Reviewing the integrity of the Financial Reporting System;
- b. Ensuring that an appropriate internal control framework is established and maintained over the financial reporting process;
- c. Reviewing significant corporate finance, solvency and tax compliance;
- d. Reviewing the Company's financial projections on an annual basis. The annual reviews are preceded by quarterly performance reviews by the Executive Management. The reviews would entail quarterly review of capital and operating budgets and actual performances;
- e. Reviewing contract awards for significant expenditure;
- f. Approving a comprehensive framework for the delegation of authority on financial matters and;
- g. Reviewing and recommending for Board approval, the Company's dividend policy, including amount, nature and timing.

BOARD GOVERNANCE AND REMUNERATION COMMITTEE

The members of the Governance and Remuneration Committee during the period under review are:

S/N	COMMITTEE MEMBERS
1.	Mrs. Fatima Wali-Abdurrahman (<i>Chairperson</i>)
2.	Mr. Adeyemi Adeola
3.	Mr. Uche Orji

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 NMRC's Board Committees. The Committee will also review and recommend amendments to the Company's Corporate Governance Code;
- 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 organisational practices that might affect NMRC's operations;
- d. Making recommendations to the Board on corporate governance guidelines for NMRC. The Committee is also mandated to review the Corporate Governance Code and evaluate company-wide compliance;
- e. Considering reports on any views expressed by shareholders and other interested parties in relation to corporate governance;
- f. Ensuring that a peer review or other evaluation mechanism of each Director is in place, and that written reports on evaluation results are submitted to the Board;

- g. 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;
- h. Reviewing Human Resource Management policies that may impact employee compensation and welfare;
- i. Reviewing the design of all share incentive plans for approval by the Board and the shareholders;
- j. Approving the design of, and determine targets for any performance related pay schemes for the Company; and
- k. Overseeing any major changes in employee benefits structures throughout the Company.

BOARD RISK MANAGEMENT COMMITTEE

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

S/N	COMMITTEE MEMBERS
1.	Dr. Herbert Wigwe (<i>Chairman</i>)
2.	Mrs. Fatima Wali-Abdurrahman
3.	Dr. Femi Johnson
4.	Mr. Kehinde Ogundimu

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, 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. Reviewing risk 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.

BOARD AND BOARD COMMITTEE MEETINGS ATTENDANCE

Provided below are details of Board and Board Committee meetings held in 2021 showing the frequency of the meetings and attendance of members.

BOARD MEETINGS

S/N	Name of Director	Role	18th March 2021	26th May 2021	3rd August 2021	18th November 2021
1	Mr. Adeyemi Candide-Johnson SAN	Chairman	•	•	•	•
2.	Mr. Kehinde Ogundimu	MD	•	•	•	•
3	Mr. Adeyemi Adeola	NED	•	•	•	•
4	Dr. Olabanjo Obaleye	NED	•	•	•	•
5	Dr. Femi Johnson	NED	•	•	•	•
6	Mrs. Fatima Wali-Abdurrahman	Independent NED	•	•	•	•
7	Mr. Uche Orji	NED	•	•	•	•
8	Dr. Herbert Wigwe	NED	•	•	•	•
9	Mr. Alexander Adeyemi	NED	•	•	•	•

LEGEND

• - Present

• - Absent with apology

MD - Managing Director

NED - Non-Executive Director

BOARD COMMITTEE MEETINGS

BOARD AUDIT COMMITTEE

S/N	Name	Role	11/03/2021	20/05/2021	27/07/2021	15/11/2021
1	Mrs. Fatima Wali-Abdurrahman +	Chairperson	NM	NM	NM	•
2	Dr. Femi Johnson	Member	•	•	•	•
3	Mr. Alexander Adeyemi	Member	•	•	•	•
4	Dr. Olabanjo Obaleye	Member	•	•	•	•

+ - Became a member of the Committee with effect from 3rd August 2021

NM - Not a member as at the date of the meeting

BOARD CREDIT AND INVESTMENT COMMITTEE

S/N	Name	Role	09/03/2021	24/05/2021	29/07/2021	11/11/2021
1	Mr. Uche Orji	Chairman	•	•	•	•
2	Mrs. Fatima Wali-Abdurrahman	Member	•	•	•	•
3	Mr. Alexander Adeyemi	Member	•	•	•	•

FINANCE AND GENERAL-PURPOSE COMMITTEE

S/N	Name	Role	10/03/2021	20/05/2021	27/07/2021	15/11/2021
1	Mr. Adeyemi Adeola	Chairman	•	•	•	•
2	Dr. Herbert Wigwe	Member	•	•	•	•
3	Dr. Femi Johnson	Member	•	•	•	•
4	Dr. Olabanjo Obaleye	Member	•	•	•	•

GOVERNANCE AND REMUNERATION COMMITTEE

S/N	Name	Role	10/03/2021	20/05/2021	27/07/2021	15/11/2021
1	Mrs. Fatima Wali-Abdurrahman	Chairperson	•	•	•	•
2	Mr. Adeyemi Adeola	Member	•	•	•	•
3	Mr. Uche Orji	Member	•	•	•	•

RISK MANAGEMENT COMMITTEE

S/N	Name	Role	10/03/2021	20/05/2021	27/07/2021	17/11/2021
1	Dr. Herbert Wigwe	Chairman	•	•	•	•
2	Mrs. Fatima Wali-Abdurrahman	Member	•	•	•	•
3	Dr. Femi Johnson	Member	•	•	•	•
4	Mr. Kehinde Ogundimu	Member	•	•	•	•

STATUTORY AUDIT COMMITTEE

Name	Role	11/03/2021	15/11/2021
Mr. Ayo Olowookere	Chairman*	•	•
Dr. Femi Johnson	Member [±]	•	•
Mr. Ifie Sekibo	Member*	•	•
Mr. Alexander Adeyemi	Member [±]	•	•
Mr. Richard Olubameru [#]	Member*	•	•

* Shareholder Representative

± Non-Executive Director

Ceased to be a member of the Committee on 27th April 2022

COMPANY'S BUSINESS PRINCIPLES AND CODES OF PRACTICE

The Company's business principles and codes of practice are enunciated in various policies approved by the Board. These include among others, the Code of Ethics and Business Conduct; Conflict of Interest; Anti-bribery and Corruption Policy and the Code Corporate Governance.

The policies define behaviours and conducts expected of the Board, management and staff of NMRC. The policies are aimed at promoting among employees, a culture consistent with the Company's core values and establish acceptable standards of ethical behaviour for staff. Employees of the Company are required to act in accordance with all applicable laws and regulations.

Some of the major Business Principles and codes of practice of the Nigeria Mortgage Refinance Company include the following:

- Directors and employees are expected to adopt utmost professional care and conduct in the exercise of their duties and to exhibit proficiency and knowledge in their work.
- They are strictly prohibited from giving or accepting bribes in the performance of their official duties, even if such actions result in a loss of business for the Company.
- The Company prohibits any form of sexual harassment and victimisation or discrimination on the grounds of age, disability, gender, marital status, religion, or ethnicity.
- Directors are to promptly disclose to the Board any real or potential conflict of interest that they may have regarding any matter that may come before the Board or its committees.
- NMRC personnel shall not offer, give or receive gifts from persons or entities that deal with NMRC in situations where any such gift may be considered as being

made to influence the personnels' actions as officers of the Company, or where acceptance of the gifts could create the appearance of a conflict of interest or be construed as a bribe or payoff, or violates any existing law, rule or regulation.

The Company's policies commit NMRC, its Board, management and other employees to the highest standards of professional behaviour, business conduct and sustainable business practices. Directors and employees are all expected to sign a yearly undertaking to abide by the provisions of the policies. Employees are also encouraged to report unlawful/unethical behaviour and actively promote ethical behaviour. Protection is provided for those who report violations in good faith, through the whistle blowing channels. There are established mechanisms for monitoring compliance with NMRC's business principles by both Directors and employees.

Code of Business Ethics

The Company has in place a Code of Ethics and Business Conduct for its employees. This Code aims at promoting among employees, a culture consistent with the Company's core values and establishes acceptable standards of ethical behaviour for staff. Employees of the Company are required to act in accordance with all applicable laws and regulations as the Company will not condone employees who violate the law or ethical standards whether specifically provided for in the Code or otherwise. All employees undertake to abide by the provisions of this Code and new employees are required to read and agree to the terms of the code during the course of their employment. The Internal Audit is responsible for full compliance with the provisions of this Code.

Whistle Blowing Policy

The Company in observance of sound Corporate Governance principles and in adherence with the SEC Code has an established Whistle Blowing Policy. This Policy provides a confidential avenue for reporting cases of fraud and other forms of misconduct which are inimical to the Company's ethos. The Company has a dedicated phone number and an e-mail address through which complaints/reports can be received. The email address is whistleblower@nmrc.com.ng. The Policy is also hoisted on the Company's website - www.nmrc.com.ng

Equal Opportunity Employment Policy

NMRC is committed to a policy and practice of ensuring that all matters relating to employment and career progression within the Company are anchored on qualifications and merit. The Company does not discriminate on the basis of gender, race, sex, disability or any such considerations. As much as possible, we seek to create gender balance in our staff and board composition, without compromising merit.

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.

Health, Safety and Welfare at Work

The Company enforces strict health and safety rules and practices within the work environment, which are reviewed and tested regularly. The Company retains top-class private hospitals where medical facilities are provided for staff and their immediate families at the Company's expense under the Health Insurance Scheme.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises, while occasional fire drills are conducted to create awareness amongst staff.

The Company operates both the Group Personal Accident and the Workmen's Compensation Insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act.

There were no recorded cases of accidents, fatalities and occupational and safety incidents at NMRC Offices within the year. The Company has established a Health and Safety culture that seeks to protect and promote the health of its workforce, while also ensuring there are no injuries to any third-party employee working within the Company's premises. To achieve these, we subject ourselves to scrutiny from the local Health & Safety Authorities and ensure we remain compliant to all applicable HSE regulations.

Company's Policies, Plans and Strategies to Address the Impact of Diseases on Staff and their Families

The health and overall wellbeing of staff and their families are accorded top priority by NMRC. The Company therefore provides comprehensive health insurance cover for its staff and their families. Our health insurance plans cover staff, their spouses and up to four (4) children, not older than 21 years. The plans provide care for conditions ranging from malaria, ante-natal care, delivery costs, vaccinations and management of chronic conditions including HIV/ AIDS which require continuous medication.

EMPLOYEE TRAINING AND DEVELOPMENT

The Company ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism.

Employee development is seen as the avenue for equipping employees with requisite competencies that will enable them to effectively perform their duties and fit into future roles, as well as for building an empowered and knowledgeable workforce. In the light of this, the Company's Human Resources function maintains a Competency Framework which indicates the minimum competency requirement for employees per job grade.

In accordance with the Company's policy of continuous development, training facilities are provided in well-equipped training centers. Training programmes are delivered through a combination of on-the-job learning, in-house knowledge building sessions, e-learning and off-site training programmes facilitated by reputable training providers.

Directors' Training and Induction

NMRC attaches great importance to the training of Directors, and therefore organises training for its Directors both on the specifics of the Company's business as well as on their leadership roles as Directors of the Company. The goals of the trainings are usually to support the Board in delivering its strategy, and the specific development of each Director on the Board. Such trainings which are organised by the Company Secretary could be domestic or take place offshore, and are facilitated by

seasoned faculty members who are experienced in providing trainings of this nature.

In 2021, the Directors underwent training on Cybersecurity/Resilience as well as Environmental & Social Governance Principle facilitated by IBFC Alliance.

The Company has an onboarding process manual which provides guidelines for conducting a formal orientation and induction for all persons appointed to the Board of Directors of the Company. The induction programme is usually personalised for each new Director and helps them identify how their background, knowledge, experience and skills can contribute to the activities of the board, and the achievement of the mandate of the Company in general.

As part of the induction process, a new Director will be required to meet with the Chairman, the Chief Executive Officer, and other members of the Board of Directors. Thereafter, the new Director will be provided with a Board Handbook containing the constitutional documents of the Company, charters of the Board and various Board Committees, major policies of the Company, minutes of the previous meetings of the Board of Directors, abridged financial statements, amongst others.

Remuneration Policy

In recognition of the fact that its ability to attract and retain the right talent is critical to its success, the Company has a compensation policy in place which ensures that it delivers competitive remuneration to its employees. The goal of this policy is to ensure that the Company's compensation structures motivate sustained high performance and are linked to corporate performance. The Company conducts periodic compensation survey to determine market trends and benchmark the Company's pay against those of similar organisations in the industry.

Total compensation payable to employees will typically include guaranteed pay, variable pay, and benefits-in-kind. While the guaranteed pay is inclusive of the base pay and other allowances which are payable at periodic intervals, the variable pay is linked to performance and incorporates features of both short and long-term incentives. NMRC also provides non-monetary compensation such as medical insurance, professionals and club memberships, mobile phones with voice and data, to its employees to supplement their cash remuneration. NMRC also complies with the Pension Reform Act on the provision of retirement benefits to employees at all levels.

The Company also has a Directors' compensation policy in place which sets out the framework for the remuneration and other forms of compensation that will be available to members of its Board of Directors. The policy was established in line with NMRC's commitment to the observance of international best practices in its corporate governance processes and compliance with relevant laws, regulations and standards.

During the period under review, the Board Remuneration Committee is responsible for making recommendations on Directors' compensation structure to the Board of Directors for approval and the Directors' compensation are fixed by the Board and approved by shareholders in general meeting. The remuneration of the Executive Directors are as far as possible structured to link rewards to corporate and individual performance and where possible, the remuneration of Directors will be benchmarked with those of similar size and standards in the financial industry.

Some of the policies established during the Year:

Executive Succession Planning Policy

The Company's Executive Succession Planning Policy (the "Policy") was established in recognition of the need for continuity in leadership and to avoid extended and costly vacancies in key positions. The Policy seeks to ensure that the Board determines the general parameters for a successor-CEO, including skill-set, industry knowledge and leadership history. Given the complexity of the role of the CEO, the Policy emphasizes a comprehensive preparation of internal candidates to be conducted long in advance of an anticipated transition.

Related Party Transactions Policy

The Related Party Transactions Policy (the "Policy") provides guidance in identifying and handling potential and actual conflicts of interest involving NMRC. The Policy was developed further to the requirement of the National Code of Corporate Governance issued by the Financial Reporting Council of Nigeria which is consistent with industry best practices. The Policy is applicable to the Directors, officers & employees of NMRC. The objectives of the Policy are to ensure that (i) all related party transactions are conducted in such a way that will protect the Company from being exposed to the risk of conflict of interest, which may arise between

NMRC and its Related Parties. (ii) transactions between NMRC and any of its Related Parties are properly reviewed, approved, and disclosed in accordance with legal and regulatory requirements. (iii) the Company is not exposed to the risk of fraud, other financial losses and reputational damage arising from the improper use and inadequate monitoring of Related party transactions.

FRAUD AND FORGERIES REPORT

There was no incidence of fraud or forgery during the year ended December 31st, 2021. The internal control environment continues to provide strong safeguards against fraud and irregularities. Proactive measures are put in place to provide further assurance on the safety and security of the Company's assets. Nil returns on Fraud and Forgeries were rendered to the Central Bank of Nigeria (CBN) every quarter, during year. The Board and management of NMRC have continued to set the right tone at the top, through their zero tolerance for fraud, forgery or any irregularity.

TENURE OF DIRECTORS

To ensure continuity, the tenure of the Non-Executive Directors (excluding Independent Non-Executive Directors) is a fixed term of four (4) years renewable twice i.e. a maximum of twelve (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. In line with clause 2.4.7 of the CBN's Code of Corporate Governance for Mortgage Refinance Companies in Nigeria, the tenure of Independent Directors is four years for a term and a maximum of eight years of two terms.

THE COMPANY SECRETARY'S 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 ensures adequate dissemination of information among Board members and between the Board and the management of the Company. In respect of Board and Committee meetings, the Company Secretary undertakes the preparation of the necessary papers and other documents required for successful deliberations.

The Company Secretary is responsible for the induction of new Directors and the provision of ongoing training for the Non-Executive Directors. The Company Secretary is a source through which the shareholders of the Company access information on the Company.

The Company Secretary ensures that the Company complies with the relevant regulations and laws including the CBN Regulatory and Supervisory Framework for the Operations of a Mortgage Refinance Company, the Central Bank of Nigeria Code of Corporate Governance, the Securities and Exchange Commission (SEC) Code of Corporate Governance, and the Companies and Allied Matters Act. 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 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 are complied with.

The procedure for the appointment and removal of the Company Secretary is governed by the principles of the Companies and Allied Matters Act, 2020.

SUSTAINABILITY STATEMENT

NMRC'S APPROACH TO SUSTAINABILITY

The Board of NMRC has the primary responsibility for overseeing the implementation of the Company's Environmental and Social Risk management policy and procedures. The Board is supported in this task by the Board Risk Management Committee and the Management Executive Committee.

NMRC's approach to Sustainability is intricately linked to our strategic objective of providing affordable housing by removing the barriers to home ownership as detailed in the Company's Environmental and Social Risk Management Policy and Procedures (NMRC's ESG Policy).

NMRC's ESG policy and procedures are founded on the Central Bank of Nigeria's recommended Nigerian Sustainable Banking Principles (NSBPs), with focus on the implementation of Environmental and Social Risk Management (ESRM), as an integral part of NMRC's overall Corporate Strategy.

NMRC is committed to operationalizing and promoting an appropriate Environmental and Social Management System (ESMS) for itself and for the financial institutions, which it refinances. This is necessary, as an Environmental Impact Assessment tool used in effectively assessing and managing the environment and social (E&S) risk exposure and also likely long term positive impact that is expected to arise from our mortgage refinancing activities. The ESMS integrates ESRM into the overall procedures for lending operations supported by NMRC.

CORE COMPONENTS OF THE ESMS ARE AS FOLLOWS:

- Clearly specified applicable E&S requirements and standards.
- Procedures for screening, identification, assessment, mitigation, and monitoring of

E&S risks. These procedures include record keeping, disclosure, and reporting.

- Capacity, roles and responsibilities within the organisational structure of NMRC and mortgage lenders for managing E&S risks.
- **Guidance and tools:** Practical resource materials for implementing ESRM provisions, internally by NMRC and mortgage lenders (these tools are developed and improved on an on-going basis).

NMRC's ESG policy forms an integral part of the Company's strategy that guides and shapes the core values, knowledge, and skills of our people in promoting sustainability and resilience in Nigeria's complex and evolving housing finance environment. NMRC is committed to promoting economic and social development in the markets we serve, sustainably and equitably, in line with our mission, vision and core values.

NMRC's ESG policy sets out how the Company integrates sustainability principles into its organisational decision-making. NMRC's sustainability approach builds on its strategic intents, backed by deliberate actions and measurable targets i.e. The adoption of sustainability principles aids the company in tracking mortgage refinance penetration and its sustainable outcomes across our business and markets.

NMRC believes that an important component of achieving positive development outcomes is the environmental and social sustainability of these activities, which NMRC expects to achieve through the application of its sustainability Policy.

NMRC'S SUSTAINABILITY APPROACH TO COVID-19

One of the key concerns around the provision of housing finance during the onset of the Pandemic was the increasing risk of defaults and possible foreclosures and how these events could in turn lead to homelessness and possible spread in COVID-19 transmissions.

NMRC rolled out its Business Continuity Plan to protect staff and stakeholders while ensuring continuity of our services as a first line of action. In addition, through our engagements NMRC has continued to work with housing sector stakeholders, regulators, and government to recognize and respond to housing related challenges brought about by the pandemic. These engagements included collaborations through financial donations to cater to the homeless populations and provide personal and protective equipment to healthcare providers working in the frontlines against the spread of COVID-19.

Included in NMRC's approach to Sustainability at the onset of the pandemic was our partnership drive allied to the mission of affordable housing access through the promotion of Housing and Mortgage Friendly environments using financial and policy focused innovations.

As part of our collaboration towards market development and sustainability, NMRC partnered with the Centre for Affordable Housing Finance (CAHF) and the Housing Development and Advocacy Network (HDAN) to lead the discussion on the importance of Data and the Structural Importance to providing housing as a sustainable endeavour.

NMRC continues to partner and engage with GIZ-BEEC (Building Energy Efficiency Codes) and IFC-EDGE (Excellence in Design for Greater Efficiencies) to promote and collaborate on their Green Housing transformation programmes to drive the import and impact of environmentally friendly housing schemes and initiatives.

NMRC'S SUSTAINABILITY FOCUSED ENGAGEMENTS

NMRC recognizes that, with its core business being primary mortgage refinance (i.e., secondary market transactions), it is exposed to some Environmental and Social (E&S) risks, through the lending activities of Mortgage Lending Institutions and this could unfold in the form of financial, legal, and/or reputational risk to NMRC. The environmental and social risks associated with NMRC's lending activities depend on factors such as the specific environmental and social circumstances associated with operations of the mortgage lending institutions.

In our pursuit of sustainability goals, NMRC acknowledges the need to manage environmental and social risks responsibly. The Company works with its clients to manage these risks and engage with governments and non-governmental organisations, to mitigate the impact that results from our refinancing decisions. NMRC has a comprehensive approach to managing environmental and social risks. It actively engages with stakeholders to mitigate the impact that stems from our investment and refinancing decisions.

NMRC supports its clients to institutionalize, and implement adequate policies, procedures, and practical tools for environmental and social risk management to ensure adherence to sustainable financing principles by providing Anti Money Laundering and Counter Terrorism Financing Training to mortgage lending institutions on a bi-annual basis. NMRC continues to engage with a wide array of stakeholders inclusive of institutions like Nigeria Governors Forum, Access to Finance & GIZ (German Development Agency), Shelter Afrique, WorldBank, Centre for Affordable Housing Finance, International Finance Corporation and State Governments to promote and sustain affordable housing and mortgage lending. These engagements are in line with promoting innovative, sustainable and investment-ready communities for improved long-term economic growth and development.

NMRC is in regular dialogue with clients, staff, investors, non-governmental organisations (NGOs), governments and regulators. These engagements help us identify and understand environmental and social issues, as well as emerging trends and opportunities in our markets.

One of such engagements is the targeted entrepreneurial skills acquisition training for unemployed youths and internally displaced persons. NMRC sponsors the training, with facilitation partnership provided by the Industrial Training Fund. The training is a key part of NMRC's yearly Corporate Social Responsibility programme. NMRC has over the years trained and equipped over 300 individuals some of whom are now business owners and job providers in the housing construction services sector.

NMRC'S OUTLOOK ON SUSTAINABILITY

Economic, social, and demographic factors are key determinants for ensuring continued provision of acceptable housing standards to a wide range of stratified groups within populations. NMRC's sustainability approach will continue to recognize the demands and challenges faced by low-income earners and marginalized populations in their ongoing attempts to have access to adequate and affordable housing.

NMRC's Policy innovations and stakeholder engagements have birthed cadres of mortgage underwriting standards that amongst different things aims to ensure a meaningful and measurable impact on housing access at different levels.

NMRC will continue to push the boundaries of sustainable housing finance through the application of technology and a targeted approach at standardization in ensuring reduction in the growth of unplanned settlements, increased promotion of land tenure security and overall reduction in homelessness.

RISK MANAGEMENT REPORT

The Nigeria Mortgage Refinance Company (NMRC) adopts an integrated approach to the management of risks across its business and operations. NMRC aligns with local regulatory and International best practises in managing risk in an enterprise-wide basis. The Company is conservative and practical in the application of risk management which form(s) the foundation of its business model and choice of activities.

The Risk Management function in NMRC is proactive, effective, relevant, responsive and technology driven. The Company's risk function anticipates risks inherent in the Company's business and operations and ensures that adequate controls and effective monitoring are being done. Risks exposures/limits are planned and articulated through documented Risk Appetite Statement, Risk Acceptance Criteria and a Target Market Plan. The Uniform Underwriting Standards (UUS), Enterprise Risk Management framework and Risk Policies which are approved by the Board of Directors help articulate the Company's risk choices in practical and applicable terms. The Risk Management function ensures that approved policies are reviewed and renewed periodically. This is aimed at ensuring that the Company's risk policies are up-to-date and responsive to emerging developments in its operating and global risk environments.

NMRC drives its risk management activities using technology to achieve standardisation and enforcement of policies, controls and mitigants. The Company monitors risk exposures through regular extensive reviews of refinanced banks and the underlying refinanced portfolio performances. NMRC has an internal bespoke scoring and monitoring models to drive this. The Company also reviews profiles of new borrowers and their potential portfolios on a comparative risk-adjusted basis. The risk reviews are comprehensive and usually cover historical, current, forecast, and stress test of the macroeconomy (both internationally and country based), obligors, the underlying portfolios and the mortgage sub-sector itself.

NMRC also enforces the achievement of perfection of titles of mortgages created by banks within shorter periods. This feat made the Company receive perfected titles from banks within significantly reduced periods as time to perfection continues to gradually reduce. This is positively reducing the risk profile of NMRC's refinanced loans.

During the year, NMRC maintained its risk culture and extended this risk culture and practises to its partner banks and other stakeholders. Following regulatory approval granted by the Central Bank of Nigeria to refinance non-member banks, NMRC extended its refinancing activities to non-member banks. Mortgage portfolios of non-member commercial banks and a mortgage bank were refinanced in the year. The Company continued with its style of using the Mortgage Market System (MMS) which the Company developed and launched in 2017 for mortgage transactions administration. NMRC as part of its capacity building initiative conducted series of trainings on the use of MMS and mortgage underwriting for its member and non-member banks, developers, and several other related Institutions. MMS provides a standard operating system for mortgage creation, mortgage refinancing and managing NMRC's refinanced mortgage portfolios until the loans are fully repaid. The Mortgage Market System is the first of its kind in the Nigerian Mortgage space; it is designed to function as an ecosystem. MMS provides the technology for mortgage finance activities encompassing the pre-finance stage (housing supply and construction), primary mortgage creation stage, to mortgage refinancing stage.

NMRC also championed the adoption and maintenance of sustainable financing through ensuring that compliance with Environmental and Social Risk Management Principles of CBN and IFC/World Bank are being complied with by its partner banks.

Key risk management initiatives that came to fruition during the year included the following:

- Development of risk management processes and procedures to support and enable the refinancing of mortgage portfolios of NMRC non-member banks.
- Development of risk policies, procedures and process flows for diverse mortgage products and offerings, fully embedding risk management principles, controls and mitigants in each product type.
- Training of banks, developers, and government institutions on the use of the Mortgage Market System (MMS) for mortgage underwriting and management.
- Deployment of MMS to NMRC member and new non-member banks.

NMRC'S RISK MANAGEMENT FRAMEWORK



Risk Management Framework

Enterprise Risk Management forms part of NMRC's culture and it is embedded in the Company's business processes and practices. The Board approved a revised version of the framework during the financial year. The comprehensive and robust framework details the responsibilities and accountabilities of

the Board of Directors (the "Board"), Board Risk Management Committee, Board Credit and Investment Committee, Board Audit Committee, Management Credit Committee, Management Risk Committee, Asset and Liability Management Committee, Chief Executive Officer, Risk Management Department, Internal

Audit Department and NMRC employees in the day-to-day management of risk in the Company.

NMRC's enterprise risk management framework articulates the Risk Management philosophy and Risk Acceptance Criteria (RAC) of NMRC which are aligned with the Company's business strategy of responsible and sustainable finance and profitability. As part of its risk management philosophy, NMRC in collaboration with other stakeholders in the industry developed the Uniform Underwriting Standards for diverse economic sectors which serves as industry standard for granting mortgage loans to borrowers that qualify for NMRC's refinancing facility. This is with a view to promoting efficiency and instituting controls/mitigants in mortgage financing risks and also serving as a market development tool that will lead to more affordable home ownership in Nigeria.

The Uniform Underwriting Standards (UUS) helps NMRC and other stakeholders 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,

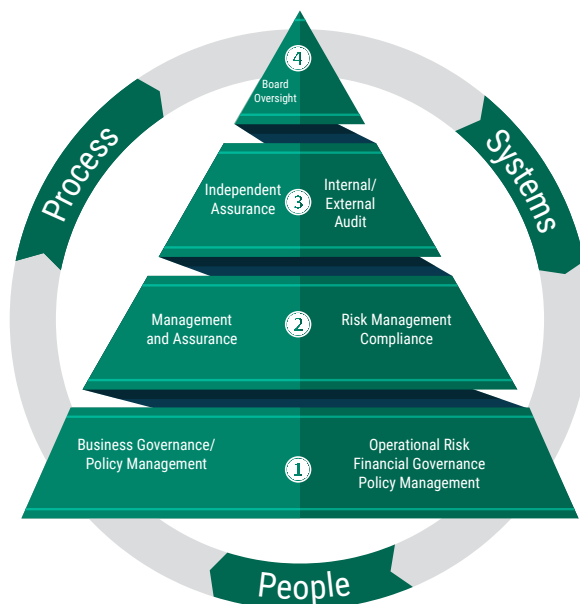
adequate property title, proper registration, enforcement of legal mortgages, and maintenance of efficient collection processes. Such standards balance the requirements of responsible finance with lenders' needs to enforce loan contracts. NMRC's goal is to act as a catalytic and focused advocate to address 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 management framework provides for four 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. These include 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 effectively. The compliance unit forms part of the second line of defence responsible for ensuring compliance with applicable laws, regulations and standards.
 - 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. The third line of defence is also supported by reviews of supervisory/regulatory bodies and external auditors.
 - IV. The fourth line of defence is the Company's Board oversight. The Board through its risk committees namely the Board Risk Management Committee and Board Credit and Investment Committee provides oversight functions on risks in the Company. Committee meetings are held at least quarterly, where risk reports are presented and deliberated upon. The committee also approves policies and risk exposure/transaction limits.
- 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 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.

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;

THE RISK MANAGEMENT DEPARTMENT

The Risk Management Department is responsible for identifying, measuring, analysing, controlling, monitoring and reporting of risk exposures and coordinating the management of risks on an enterprise-wide basis. Risk management function in NMRC carries out the following key functions:

- Identify, manage and report existing and emerging risks to the Management and Board of Directors
- Enhance credit ratings, external and regulatory evaluations of the Company
- Institute a risk culture that empowers and encourages staff at all levels to be risk sensitive and risk managers
- Protect against expected and unexpected losses in the Company
- Reduce earnings volatilities
- Maximise shareholders value and stakeholders' protection.



SCOPE OF RISKS

NMRC adopts an integral risk management model where all aspects of risk management are considered and managed. Risks managed by NMRC include:

- Credit Risk
- Market and liquidity Risk
- Operational Risk
- Legal Risk
- Compliance Risk
- Business Risk
- Capital Risk
- Strategic Risk
- Reputational Risk
- Environmental & Social Risk

CREDIT RISK MANAGEMENT

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 NMRC arises from its mortgage refinancing (Purchase with Recourse (PVVR)) business, investments and treasury 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.

MARKET & LIQUIDITY RISK MANAGEMENT

Market risk is defined as potential loss arising from movements of market prices and rates. Liquidity risk arises when the NMRC does not have sufficient funds to meet its financial obligations when they fall due. NMRC 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, 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. NMRC plans its cash flow and monitors closely every business transaction 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.

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.

- iv. Render compliance regulatory returns and reports in strict accordance with specifications to the regulatory bodies.

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. The Company also conducts regular business review/strategy sessions to track business performance against strategic goals.

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 partnerships 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 NMRC. In managing Compliance Risk, NMRC engages Primary Mortgage Banks (PMBs) directly, constantly monitoring their obligations in fulfilling their due diligence activities. These include ensuring that the PMBs:

- i. Have adequate compliance policies and procedures
- ii. Have designated Compliance Departments
- iii. Have a Chief Compliance Officer in accordance with regulatory specifications

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. 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. The training is also extended to staff of participating Banks to build their capacities in AML/CFT Compliance management.

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 information security process 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 of the adequacy of the controls are carried out to ensure up-to-date protection.

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.

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's internal control system encompasses the following key processes:

Authority and Responsibility

An organisational structure, job descriptions and Key Results Areas (KRA), which clearly define lines of responsibility and accountability aligned to business and operational requirements.

- a) Clearly defined lines of responsibility and delegation of authority to the Committees of the Board, Management and staff.
- b) Management has also set up key Management Committees to ensure effective management and supervision of the areas under the respective Committees' purview.

Planning, Monitoring and Reporting

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

- b) Regular reporting to the Board and the Board Committees. Reports on the financial position, status of loans and debts purchased, bonds and notes issued are provided to the Board at least once a quarter. Where necessary, other issues such as legal, accounting and other relevant matters 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 Committee. The results of audits are presented to the Board Audit Committee.
- b) The audit plan and audit reports are also submitted to the Board and the respective Board committee to inform the Board 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. The plan is also tested regularly to provide assurance on its adequacy.

MARKET DISCLOSURES AND ENGAGEMENTS FOR FINANCIAL YEAR 2021

NMRC WINS BEST MORTGAGE INSTITUTION AT SHELTER AFRIQUE AWARDS 2021:

Nigeria Mortgage Refinance Company PLC (NMRC) was recognized as the “Best Mortgage Institution” at the 2021 inaugural edition of the Shelter Afrique Awards (SHAF Awards). The award is in recognition of NMRC’s delivery of stakeholder value and development impact through ground-breaking reforms and the historic role the company is playing in enhancing mortgage access and promoting affordable homeownership in Nigeria.

The organizers of the award also noted the historic milestones that NMRC has recorded in leveraging technology to improve the operations of Nigeria’s housing market and mortgage data management since it commenced operations in 2015.

NMRC CORPORATE SOCIAL RESPONSIBILITY PROGRAM 2021:

NMRC collaborated with the Industrial Training Fund (ITF) to empower 30 unemployed youths with technical skills in housing construction and entrepreneurship. This marked the sixth batch of NMRC’s annual skills acquisition program that is designed to achieve the dual purpose of enhancing the livelihoods of youths as well as contributing to tackling the skills gap in the housing construction industry in the country.

NMRC & (IFC)-EDGE:

NMRC joined stakeholders at an event organized by international Finance Corporation (IFC)-EDGE to celebrate early adopters of Design for Greater Efficiency (EDGE) Certification in Lagos and called on private developers to build more green residential houses. The company supports EDGE-certified green buildings because they are sustainable and affordable and stands ready to refinance mortgages created for off-takers of green buildings.

NMRC & AUHF:

NMRC joined international, African, and regional housing industry stakeholders at the annual conference & AGM organized by the African Union for Housing Finance (AUHF) in Kigali, Rwanda. MD/CEO, Mr. Kehinde Ogundimu participated as a panelist, discussing the experiences of mortgage refinance companies in Africa. The panel was chaired by Kecia Rust, AUHF Secretariat and Executive Director.

NMRC & WAPI SUMMIT 2021:

NMRC and critical real estate stakeholders highlighted the challenges facing the housing sector and prospects, urging the Federal Government to put up policies that would support and safeguard local investors to enhance growth. The 7th edition of the West Africa Property Investment Summit (WAPI) called for the participation of more local players in the real estate market.

NMRC & AIHS 2021:

The management of NMRC joined international stakeholders, speakers and exhibitors in the housing finance and construction industry at the 15th edition of the Abuja International Housing Show. The conference provided the company with the opportunity to discuss challenges facing the global housing sector and the way forward for housing finance and construction in the advent of the COVID-19 pandemic.

NMRC HOUSING SURVEY 2021:

NMRC carried out three online housing surveys to gauge mortgage penetration and literacy. The surveys revealed interesting insights and homebuying trends. In the first survey, respondents were asked to choose from a list of five challenges most likely to have prevented them from getting or applying for a mortgage. These included low income or salary, high interest rate, job loss or lack of job, and retirement. 73.3% chose low income/salary while 20% chose job loss/lack of job. The focus of the third NMRC survey was to ascertain the property types that Nigerians consider the most affordable. Bungalows and terraced apartments emerged as the most affordable.

NMRC & AHCN:

NMRC joined experts and stakeholders as part of its strategic stakeholder engagements to reiterate the need for an enabling environment and deployment of property technology (Proptech) in the built sector. The experts also called for solutions to inadequate infrastructure and high cost of land, under-supply of building materials, artisanal skills shortages and product mismatch.

NMRC & LASRERA:

NMRC joined stakeholders at the 2nd Lagos State Real Estate Regulatory Authority market-place conference and exhibitions on providing enabling environment for real estate investment in Lagos. The panel discussion focused more on fixing financing gap in the housing market to tackle the housing affordability and availability problems in Lagos.

INDEPENDENT BOARD APPRAISAL REPORT



DCSL CORPORATE SERVICES LIMITED	
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P. O. Box 965, Marina Lagos, Nigeria	
Tel: +234 809 0381 864 info@dcs.com.ng www.dcs.com.ng	RC NO. 352393

REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS OF NIGERIA MORTGAGE REFINANCE COMPANY PLC FOR THE YEAR ENDED DECEMBER 31, 2021

DCSL Corporate Services Limited (DCSL) was engaged by Nigeria Mortgage Refinance Company PLC. ("NMRC", the Company) to carry out an evaluation of the performance of the Board of Directors for the year ended December 31, 2021 in line with the provisions of **Section 2.8.1 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Mortgage Refinance Companies in Nigeria ("CBN Code")**, **Section 14.1 of the Nigerian Code of Corporate Governance ("the National Code")** and Global Best Practices on Corporate Governance. Our appraisal entailed a review of the corporate and statutory documents, the Minutes of Board and Committee meetings, policies and other ancillary documents made available to us. We also administered electronic surveys and conducted interviews with the Directors to ascertain the level of the Board's compliance with the provisions of the SEC guidelines, CBN and the NCCG, relevant legislation as well as global best practice. Our appraisal covered the following seven key corporate governance themes:

1. Board Structure and Composition
2. Strategy and Planning
3. Board Operations and Effectiveness
4. Measuring and Monitoring of Performance
5. Risk Management and Compliance
6. Corporate Citizenship; and
7. Transparency and Disclosure

Our review of the corporate governance standards and processes affirm that the Board substantially complied with the provisions of the CBN Codes, SEC Guidelines and the Nigerian Code of Corporate Governance and other relevant corporate governance best practices. The appraisal indicates that the activities of the Board and the Company are to a very large extent in compliance with corporate governance best practice and individual Directors remain committed to enhancing the Company's growth. In our opinion, the Board has displayed significant commitment to developing and monitoring the Corporate Strategy and achieving improvement in the Company's performance.

Details of our key findings and recommendations are contained in our Report.

Yours faithfully,

For: DCSL Corporate Services Ltd

Bisi Adeyemi
Managing Director
FRC/2013/NBA/00000002716
March 14, 2022

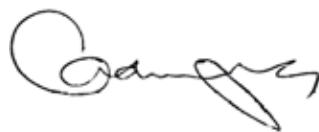
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view of the financial position of the Company as at 31 December 2021 and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria (BOFIA) 2020, and relevant Central Bank of Nigeria (CBN) guidelines and circulars.

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

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

Signed on behalf of the Board of Directors by:



Adeyemi Candide-Johnson (SAN, FCI Arb)
Chairman
FRC/2017/NBA/00000016108
22 March 2022



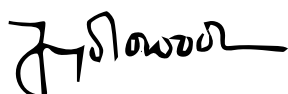
Kehinde Ogundimu
Chief Executive Officer
FRC/2015/ICAN/00000011195
22 March 2022

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2021

TO THE MEMBERS OF NIGERIA MORTGAGE REFINANCE COMPANY PLC:

In accordance with the provisions of Section 404(4) of the Companies and Allied Matters Act, 2020, the members of the Audit Committee of Nigeria Mortgage Refinance Company PLC hereby report on the financial statements for the year ended 31 December 2021 as follows:

- We have exercised our statutory functions under section 404(7) of the Companies and Allied Matters Act 2020 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 2021 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.



Ayo Olowookere

Chairman, Audit Committee

FRC/2016/ICAN/00000014172

22 March 2022

Members of the Audit Committee are:

1	Ayo Olowookere	Shareholder	Chairman
2	Richard Olubameru	Shareholder	Member
3	Olufemi Johnson, DBA	Non-Executive Director	Member
4	Alexander Adeyemi	Non-Executive Director	Member
5	Ifie Sekibo	Shareholder	Member

02

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nigeria Mortgage Refinance Company Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nigeria Mortgage Refinance Company Plc (the Company), which comprise:

- the statement of financial position as at 31 December, 2021;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

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

Key Audit Matters

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

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Registered in Nigeria No BN 98925

Partners:

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Akinyemi Ashade	Goodluck C. Obi	Nheka C. Eluma	Oluwalafemi O. Awotayo	
Ayobami L. Salami	Ibitomi M. Adepoju	Olaimpe S. Afolabi	Oluwatoyin A. Obagi	
Ayodele A. Soyinka	Jeoma T. Emeze-Ezigo	Oladimeji I. Salaudeen	Osame J. Obacjo	



Impairment of Mortgage refinance loans

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

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

Impairment allowance on mortgage refinance loans that have shown a significant increase in credit risk, is based on the Company's estimate of losses expected to result from default events over the life of the loans.

Impairment allowance on other loans that have not shown a significant increase in credit risk is recognized based on an estimate of the losses expected to result from default events within 12 months.

This estimate is also an output of models, with the key assumptions being the possibility of a loan becoming past due and subsequently defaulting, the rate of recovery on the mortgage refinance loans that are past due and in default.

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

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

Procedures

Our procedures included the following with respect to impairment of mortgage refinance loans as at 31 December 2021:

- We evaluated the design and implementation of the key controls over the impairment determination process such as the credit committee review of mortgage refinance loans. The key controls evaluated covered processes such as management review of relevant data used in the calculation of expected credit losses including forward looking macroeconomic data to be included in the impairment model.
- We tested the appropriateness of the Company's determination of significant increase in credit risk and the resultant classification of Mortgage refinance loans into the various stages. We examined the entire Mortgage refinance loans. For those mortgage refinance loans which have shown a significant increase in credit risk, we evaluated the level of past due obligations and qualitative factors such as publicly available information about the obligors to determine whether the Company should estimate the expected credit loss over a period of 12 months or over the life of the mortgage refinance loans.



- We checked the key data and assumptions for the data input into the ECL model used by the Company. Our procedures in this regard included the following:
 - i. We challenged the reasonableness of the Company's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic condition. Information considered include: industry historical default rates, foreign exchange rate, inflation rate and Gross Domestic Product (GDP) growth rates.
 - ii. For forward looking assumptions comprising foreign exchange rate and Gross Domestic Product (GDP) growth rate used by the Company's management in its ECL calculations, we corroborated management's assumptions using publicly available information from external sources.
 - iii. We evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, mortgage refinance loans tenor and effective interest rate.
 - iv. For Probability of Default (PD) used in the ECL calculations we checked the historical movement in the balances of facilities.
 - v. We checked the calculation of the Loss Given Default (LGD) used by the Company in the ECL calculations, including the appropriateness of the use of collateral, by recomputing the LGD.
 - vi. We re-performed the calculations of impairment allowance for mortgage refinance loans using the Company's impairment model and validated key inputs. For mortgage refinance loans which have shown a significant increase in credit risk, the recalculation was based on the amount which the Company may not recover throughout the life of the loans while for mortgage refinance loans that have not shown significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year.

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

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Corporate governance report, Statement of Directors' responsibilities, Report of the Audit Committee and Other national disclosures, but does not include the financial statements and our auditor's report thereon.

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

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



Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



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

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

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

Compliance with Section 26 (3) of the Banks and Other Financial Institutions Act, 2020 and Central Bank of Nigeria circular BSD/1/2004

- i. The Company did not pay any penalty in respect of contravention of the Banks and Other Financial Institutions Act, 2020 during the year ended 31 December 2021.
- ii. Related party transactions and balances are disclosed in note 26 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

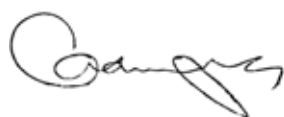
Akinyemi J. Ashade, FCA
FRC/2013/ICAN/00000000786
For: KPMG Professional Services
Chartered Accountants
14 June 2022
Lagos, Nigeria



STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

<i>In thousands of Naira</i>	Notes	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents	6	2,819,440	16,406,918
Placements with banks	7	675,182	447,774
Mortgage refinance loans	8	21,104,863	17,478,531
Investment securities - FVOCI	9	2,415,495	4,481,285
Investment securities - Amortised cost	9	57,334,806	45,564,118
Other assets	12	151,389	137,161
Intangible assets	11	4,901	12,954
Property and equipment	10	492,412	515,978
Total assets		84,998,488	85,044,719
Liabilities			
Other liabilities	14	1,904,513	1,632,946
Current tax liabilities	22(b)	68,309	53,320
Debt securities issued	13(a)	24,506,298	26,275,287
Borrowings	13(b)	37,594,065	37,598,419
Total liabilities		64,073,185	65,559,972
Capital and reserves			
Share capital	15(a)(ii)	2,125,444	2,125,444
Share premium	15(a)(iii)	5,925,232	5,925,232
Retained earnings	15(b)	9,166,104	7,234,232
Statutory reserves	15(c)	3,455,309	2,957,545
Statutory credit risk reserve	15(b)	17,356	-
Fair value reserve	15(d)	235,858	1,242,294
Total equity		20,925,303	19,484,747
Total liabilities and equities		84,998,488	85,044,719

The financial statements were approved by the Board of Directors on 22 March 2022 and signed on its behalf by:



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

Chairman

FRC/2017/NBA/00000016108

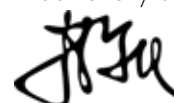


Kehinde Ogundimu

Chief Executive Officer

FRC/2015/ICAN/00000011195

Additionally certified by:



Kanayo Mba

Chief Financial Officer

FRC/2019/ICAN/00000019030

The accompanying notes are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

<i>In thousands of Naira</i>	Notes	31 December 2021	31 December 2020
Gross earnings		9,905,832	9,177,525
Interest income at effective interest rate	16	9,759,205	9,163,807
Interest expense at effective interest rate	17	(4,734,632)	(4,255,164)
Net interest income		5,024,573	4,908,643
Other income	18	146,627	13,718
Total income		5,171,200	4,922,361
Writeback/(Impairment) of loans and advances	20	(16,025)	120,583
Impairment of investment securities	20	27,889	(36,831)
Personnel expenses	19	(798,750)	(783,970)
Depreciation & amortization	10,11	(83,709)	(111,708)
Other operating expenses	21	(913,850)	(1,070,582)
Profit before income tax		3,386,755	3,039,853
Income tax expense	22(a)	(43,571)	(30,574)
Minimum tax	22(a)	(24,760)	(23,209)
Profit for the year		3,318,424	2,986,070
Items that are or may be reclassified to profit or loss			
- <i>Changes in fair values of FVOCI debt instruments</i>	15(d)	(1,006,436)	685,764
Other comprehensive income, net of income tax		(1,006,436)	685,764
Total comprehensive profit for the year		2,311,988	3,671,834
Profit attributable to:			
Equity holders of the Company		3,318,424	2,986,070
Profit for the year		3,318,424	2,986,070
Total comprehensive profit attributable to:			
Equity holders of the Company		2,311,988	3,671,834
Total comprehensive profit for the year		2,311,988	3,671,834
Earnings per share (Basic and diluted) - kobo	23	156 k	140 k

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

<i>In thousands of Naira</i>	Note	Share capital	Share premium	Statutory Credit Risk Reserve*	Retained earnings	Statutory reserves	Fair value reserves	Total
Balance at 1 January 2021		2,125,444	5,925,232	-	7,234,232	2,957,545	1,242,294	19,484,747
Profit for the year		-	-	-	3,318,424	-	-	3,318,424
Transfer to statutory reserve		-	-	17,356	(515,119)	497,764	-	-
Other comprehensive income for the year		-	-	-	-	-	(1,006,436)	(1,006,436)
Total comprehensive income		-	-	17,356	2,803,305	497,764	(1,006,436)	2,311,988
Dividends	15(b)	-	-	-	(871,432)	-	-	(871,432)
Balance at 31 December 2021		2,125,444	5,925,232	17,356	9,166,105	3,455,308	235,858	20,925,303

<i>In thousands of Naira</i>		Share capital	Share premium	Statutory Credit Risk Reserve	Retained earnings/(loss)	Statutory reserves	Fair value reserves	Total
Balance at 1 January 2020		2,125,444	5,925,232	-	5,610,014	2,509,635	556,530	16,726,855
Profit for the year		-	-	-	2,986,070	-	-	2,986,070
Transfer to statutory reserve		-	-	-	(447,910)	447,910	-	-
Other comprehensive income for the year		-	-	-	-	-	685,764	685,764
Total comprehensive income		-	-	-	2,538,160	447,910	685,764	3,671,834
Dividends		-	-	-	(913,942)	-	-	(913,942)
Balance at 31 December 2020		2,125,444	5,925,232	-	7,234,232	2,957,545	1,242,294	19,484,747

The accompanying notes are an integral part of these financial statements.

*Statutory Credit Risk Reserve refers to Regulatory Risk Reserve

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

<i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Cash flows from operating activities			
Profit for the year		3,318,424	2,986,070
Add tax expense	22(a)	68,331	53,783
Profit before tax		3,386,755	3,039,853
Adjustments for:			
Interest income at effective interest rate	16	(9,759,205)	(9,163,807)
Interest expense at effective interest rate	17	4,734,632	4,255,164
Depreciation and amortization	10,11	83,709	111,708
Loss on disposal of Property and Equipment	18/21	815	4,237
(Writeback)/ Impairment loss on mortgage refinance loans	20	16,025	(120,583)
Impairment loss on investment securities at amortized cost	20	(52,721)	46,087
(Writeback)/ Impairment loss on investment securities at FVOCI	20	78	(3,200)
(Writeback)/Impairment loss on placement with banks	7	24,754	(6,056)
Cash used in operations		(1,565,158)	(1,836,597)
Changes in operating assets and liabilities:			
Mortgage refinance loans	28(a)	(3,672,678)	991,470
Placements with banks	28(b)	(4,488)	1,324,593
Net (decrease)/ increase in other assets	28(c)	(14,768)	(15,941)
Net decrease in other liabilities	28(d)	271,567	434,037
		(4,985,526)	897,562
Interest received	28(e)	9,263,726	4,160,928
Tax paid	28(b)	(53,342)	(79,067)
Net cash flows generated from operating activities		4,224,859	4,979,424
Cash flows from investing activities			
Net sale/ (purchase) of financial investment	9(b)	(10,380,025)	1,828,951
Acquisition of property and equipment	10	(58,720)	(109,095)
Proceeds from disposal of property and equipment	28(g)	5,815	6,698
Net cash flows from/(used in) investing activities		(10,432,930)	1,726,554
Cash flows from financing activities			
Interest paid on debt securities issued	28(f)	(3,069,641)	(2,783,220)
Interest paid on borrowings	28(f)	(1,589,091)	(1,593,445)
Dividend paid	15(b)	(871,432)	(913,942)
Repayment of debt security issued	28(f)	(1,849,243)	(867,734)
Proceeds from borrowings & debt securities issued	28(f)	-	10,000,000
Net cash flows from/(used in) financing activities		(7,379,407)	3,841,659
Net decrease in cash and cash equivalents		(13,587,478)	10,547,638
Cash and cash equivalents, beginning of year	6	16,406,918	5,859,280
Cash and cash equivalents, end of year	6	2,819,440	16,406,918

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 REPORTING ENTITY

Nigeria Mortgage Refinance Company Plc ("the Company") is a public liability Company incorporated in Nigeria on 24 June, 2013 under the Companies and Allied Matters Act (CAMA).

The Company's registered address is at 17 Sanusi Fafunwa Street Victoria Island, Lagos.

The principal activities of the Company is the provision of long term funds to eligible mortgage lenders by issuing long term bonds in the Nigerian financial market and refinancing and purchasing mortgage loans.

2 (I) STATEMENT OF COMPLIANCE

The financial statements of Nigeria Mortgage Refinance Company Plc is a general purpose financial report which has been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, 2020, the Mortgage Refinance Company Regulatory and Supervisory Framework, 2013, and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

ii Basis of accounting

These financial statements have been prepared in accordance with IFRS Standards. They were authorised for issue by the Company's board of directors on 22 March, 2022.

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

- financial assets and liabilities measured at amortised cost
- financial assets measured at fair value through other comprehensive income (FVOCI)

iii Functional and presentation currency

These financial statements are presented in Naira, which is the Company's functional currency. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest thousand.

iv Use of estimates and judgments

The preparation of financial statements in conformity to the International Financial Reporting Standards requires Management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

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 recognized in the financial statements are described in Note 4(e) of the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

3 SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

3.1 NON-DERIVATIVE FINANCIAL INSTRUMENTS

(a) Initial recognition

- (i) All financial instruments are initially recognized at fair value. The fair value of a financial instrument at initial recognition is generally its transaction price.

(ii) Classification

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

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

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

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

Non-recourse loans

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

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

(b) Subsequent measurement

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

(i) Financial assets at amortized cost

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

The carrying amounts of these assets are measured at amortised cost using the effective interest method, less any impairment losses. Transaction costs that are integral to the effective rate are capitalised to the value of the loan and receivable and amortised through interest income as part of the effective interest rate.

(ii) Cash and cash equivalents

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

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

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

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

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

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

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

(iv) Other financial liabilities

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

(c) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant

in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(d) Impairment of financial assets

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

No impairment loss is recognised on equity investments

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

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

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

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

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

Measurement of ECL

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

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt

financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

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

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

Inputs into ECL measurement

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

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

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

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

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

(e) 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.

(f) 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 in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

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

(g) Modification of financial assets and liabilities

(i) Financial assets

If the terms of a financial asset are modified, then the company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the company first recalculates the gross carrying amount of the financial asset using

the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

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

(ii) Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(h) Loans and advances

The 'loans and advances to banks' caption in the statement of financial position includes loans and advances measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(i) Investment Securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Company elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

3.2 PROPERTY AND EQUIPMENT

(a) Recognition and measurement

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

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

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

(b) Depreciation

Depreciation is charged on a straight line basis, at the following annual rates that are designated to write off the cost of the assets less their estimated residual value over the estimated useful lives of the assets concerned.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted if appropriate.

Class of Assets	Rate
Office equipment	25%
Furniture and fittings	25%
Computer equipment	33.33%
Motor vehicle	25%
Leasehold improvement	25%
Plant and machinery	25%
Building	2%
Land	Land is not depreciated

(c) Derecognition

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

(d) Work-in-progress

Work-in-progress consists of items of property and equipment that are not yet available for use. Work-in-progress is carried at cost less any required impairment. Depreciation starts when assets are available for use. An impairment loss is recognised if the asset’s recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

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

3.3 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

3.4 INTEREST INCOME AND EXPENSE

Effective interest rate

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 for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Interest income and expense presented in profit or loss include:

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

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- negative interest on financial assets measured at amortised cost; and
- interest expense on lease liabilities.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income and from other financial instruments at FVTPL. Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

3.5 OTHER LIABILITIES

The Company recognises and measures other liabilities at amortized cost.

3.6 SHARE ISSUE COST

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

3.7 EARNINGS PER SHARE

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

3.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

3.9 EMPLOYEE BENEFITS/PERSONNEL EXPENSES

(a) Short-term benefits

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

(b) Defined contribution plan

The Company operates a defined contributory pension scheme in line with the provisions of the Pension Reform Act 2014, with contributions based on the sum of employees' basic salary, housing and transport allowances in the ratio of 8% by the employee and 10% by the employer.

The contributions of 10% by the Company is recognised in the profit or loss in the period to which they relate, while Employees' contributions are funded through payroll deductions."

(c) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(d) Other long-term employee benefits

The Company's long term employee benefits relates to the long service awards scheme instituted for all

employees. The Company's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise. Under the scheme, employees are entitled to cash awards after a specified number of years of continuous service.

The obligation at the reporting period was determined internally using the Projected Unit Credit method."

(e) Accounting for employee benefits/personnel expenses

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

3.10 TAXATION

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred income tax is provided in full using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

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

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

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

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

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

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

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

3.11 NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these financial statements. Those Standards, Amendments to Standards, and Interpretations which may be relevant to the Company are set out below.

The Company does not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated:

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Definition of Accounting Estimate - Amendment to IAS 8
- Disclosure of Accounting Policies - Amendment to IAS 1 and IFRS Practise Statement 2
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2023
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- IFRS 17 - Insurance Contracts (Effective date - 1 January 2023)

The directors are of the opinion these standards and interpretations would not have a material impact on the Company's future financial statements

4 FINANCIAL RISK MANAGEMENT

(a) Credit risk

Credit risk is defined as the potential for financial loss resulting from the failure of a borrower or counterparty to fulfil its financial or contractual obligations.

Credit risk within the NMRC arises from Purchase with Recourse (PWR) business, investments and treasury/trading activities. The primary objective of credit risk management is to proactively manage risk and credit limits to ensure that all exposures to credit risks are kept within parameters approved by the Board to mitigate and withstand any potential losses. Investment activities are guided by internal credit policies and guidelines that are approved by the Board. Specific procedures for managing credit risks are determined at business levels based on risk environment and business goals.

The Company's major exposure to credit risk emanates from its cash and cash equivalents, placements with

banks, mortgage refinance loans, collateral on mortgage refinance loans, investment securities and other receivables.

(i) Exposure to credit risk

<i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Cash and cash equivalents	6	2,819,440	16,406,918
Placements with banks	7	675,182	447,774
Mortgage refinance loans	8	21,104,863	17,478,531
Investment securities	9	59,750,301	50,045,403
Other financial assets	12	54,347	60,823
Collateral			
<i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Total loan exposure (gross)		21,104,863	17,478,531
Secured against real estate		21,104,863	17,478,531
Unsecured loan		-	-

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Total Value of collaterals held against loans	321,888,136	312,173,990

(ii) Management of credit risk

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

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

(iii) Credit risk on mortgage refinance loans

The Company is exposed to credit risk on its mortgage refinance loans. To mitigate the credit risk the Company enters into contractual arrangements with the

participating mortgage banks, which typically contain the following structure:

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

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

(iv) Collateral held and other credit enhancements

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

The quality of collateral held is periodically reviewed by the Company.

(v) Credit quality analysis

The following table sets out information about the credit quality and ratings of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. There were no purchased or originated credit impaired (POCI) financial assets during the year.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 3.1(c).

In thousands of Naira	31 Dec 2021					31 Dec 2020			
	12 month PD ranges	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to commercial banks at amortized cost									
Low - fair risk (rated B-)	0-0.59	13,139,392		-	13,139,392	11,510,758		-	11,510,758
	0.60								
Satisfactory	- 11.34	-	1,200,590	-	1,200,590	-	1,200,590	-	1,200,590
	11.35								
Higher risk	- 99.99	-	-	-	-	-	-	-	-
Lost	100	-	-	-	-	-	-	-	-
		13,139,392	1,200,590	-	14,339,981	11,510,758	1,200,590	-	12,711,347
Loss allowance		(55,517)	(34,041)	-	(89,558)	(40,217)	(60,160)	-	(100,377)
Carrying amount		13,083,874	1,166,549	-	14,250,423	11,470,541	1,140,430	-	12,610,971

In thousands of Naira	31 Dec 2021					31 Dec 2020			
	12 month PD ranges	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to mortgage banks at amortized cost									
Low - fair risk (rated B-)	0 - 0.59	6,960,529	-	-	6,960,529	4,947,347	-	-	4,947,347
	0.60								
Satisfactory	- 11.34	-	-	-	-	-	-	-	-
	11.35								
Higher risk	- 99.99	-	-	-	-	-	-	-	-
Lost	100	-	-	-	-	-	-	-	-
		6,960,529	-	-	6,960,529	4,947,347	-	-	4,947,347
Loss allowance		(106,089)	-	-	(106,089)	(79,787)	-	-	(79,787)
Carrying amount		6,854,439	-	-	6,854,439	4,867,560	-	-	4,867,560

In thousands of Naira	31 Dec 2021					31 Dec 2020			
	12 month PD ranges	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost									
Low - fair risk (rated B-)	0-0.59	57,361,006	-	-	57,361,006	45,642,961	-	-	45,642,961
	0.60-								
Satisfactory	11.34	-	-	-	-	-	-	-	-
	11.35-								
Higher risk	99.99	-	-	-	-	-	-	-	-
Lost	100	-	-	-	-	-	-	-	-
		57,361,006	-	-	57,361,006	45,642,961	-	-	45,642,961
Loss allowance		(26,200)	-	-	(26,200)	(37,733)	-	-	(37,733)
Carrying amount		57,334,806	-	-	57,334,806	45,605,228	-	-	45,605,228

In thousands of Naira	31 Dec 2021				31 Dec 2020				
	12 month PD ranges	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI									
Low - fair risk (rated B-)	0-0.59	2,405,495	-	-	2,405,495	4,471,285	-	-	4,471,285
Satisfactory	0.60-11.34	-	-	-	-	-	-	-	-
Higher risk	11.35-99.99	-	-	-	-	-	-	-	-
Lost	100	-	-	-	-	-	-	-	-
		2,405,495	-	-	2,405,495	4,471,285	-	-	4,471,285
Loss allowance		-	-	-	-	-	-	-	-
Carrying amount		2,405,495	-	-	2,405,495	4,471,285	-	-	4,471,285

In thousands of Naira	31 Dec 2021			31 Dec 2020		
	Life time ECL not credit impaired	Credit impaired	Total	Life time ECL not credit impaired	Credit impaired	Total
Other financial assets						
Low - fair risk	54,888	2,500	57,388	60,823	2,500	63,323
Higher risk	-	-	-	-	-	-
Credit impaired	-	-	-	-	-	-
	54,888	2,500	57,388	60,823	2,500	63,323
Loss allowance	(541)	(2,500)	(3,041)	-	(2,500)	(2,500)
Carrying amount	54,347	-	54,347	60,823	-	60,823

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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

Significant increase in credit risk (SICR)

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of

the exposure (adjusted where relevant for changes in prepayment expectations).

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

- movement in PD based on internal and external rating parameters

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

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

- probationary period

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

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

- Where there is evidence that there is significant reduction in credit risk, the Company would continue to monitor such financial instruments for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1).
- In addition to the 90 days probationary period above, the Company will observe a probationary period of 90 days to upgrade from Stage 3 to 2.

- qualitative indicators

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

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

- a backstop of 30 days past due

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

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

Generating the term structure of PD

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

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

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

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

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

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

Incorporation of forward-looking information (FLI)

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

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

The Company has opted to use the variable scalar approach in a top-down manner for the purpose of incorporating FLI into Multi-year ECL Estimation. The

top-down approach entails adjusting the ECL for FLI rather than adjusting the components of ECL (EAD, LGD, and PD).

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

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

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

The economic scenarios used as at 31 December 2021 included the following key indicators for Nigeria for the years ending 31 December 2022 to 2023.

	2022	2023
Inflation rate	Base 13.30%	Base 11.80%
Exchange rate	Base 420 USD	Base 420 USD
GDP growth	Base 2.70%	Base 2.60%

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

Modified financial assets

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

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

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

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

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

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

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

<i>In thousands of Naira</i>	31 Dec 2021	31 Dec 2020
Financial assets modified during the year		
Amortized cost of loans and advances before modification	994,138	4,027,946
Net modification (gain)/loss	43,462	(23,429)

(b) Currency risk

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

(c) Market and liquidity risk

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

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

Interest rate risk

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

Interest rate profile

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

<i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Financial assets			
Cash and cash equivalents	6	2,819,440	16,406,918
Placements with banks	7	675,182	447,774
Mortgage refinance loans	8	21,104,863	17,478,531
Investment securities	9	59,750,301	50,045,403
		84,349,786	84,378,626
Financial liabilities			
Debt securities issued	13(a)	24,506,298	26,275,287
Borrowings	13(b)	37,594,065	37,598,419
		62,100,363	63,873,706

Fair value sensitivity analysis for fixed rate instruments

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Increase in interest rate by 100 basis points (+1%)	222,494	205,049
Decrease in interest rate by 100 basis point (-1%)	(222,494)	(205,049)

Fair value sensitivity analysis for FVOCI financial assets

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Increase in interest rate by 100 basis points (+1%)	24,155	44,813
Decrease in interest rate by 100 basis points (-1%)	(24,155)	(44,813)

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

31 December 2021								
<i>In thousands of Naira</i>	Note	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 months	6 months	12 months	5 years	More than 5 years
Non-derivative assets								
Cash and cash equivalents	6	2,819,440	2,841,369	2,841,369	-	-	-	-
Placements with banks	7	705,020	721,504	-	721,504	-	-	-
Mortgage refinance loans	8	21,104,863	43,247,961	986,059	990,273	1,980,547	15,492,386	23,798,696
Investments securities	9	59,750,301	148,970,347	2,824,818	1,608,646	3,386,744	33,358,900	107,791,239
Other financial assets	12	54,347	54,347	54,347	-	-	-	-
Total financial assets		84,433,971	195,835,528	6,706,592	3,320,424	5,367,290	48,851,286	131,589,936
Non-derivative liabilities								
Debt securities	13(a)	24,506,298	42,087,292	1,229,721	1,229,721	2,459,442	19,675,537	17,492,870
Borrowings	13(b)	37,594,065	69,187,427	-	788,015	801,076	7,792,507	59,805,829
Other financial liabilities	14	254,896	254,896	254,896	-	-	-	-
Total financial liabilities		62,355,259	111,529,615	1,484,617	2,017,736	3,260,518	27,468,044	77,298,699
Gap -assets/(liabilities)		22,078,712	84,305,913	5,221,975	1,302,688	2,106,772	21,383,241	54,291,236
Cumulative liquidity gap		-	-	5,221,975	6,524,663	8,631,435	30,014,677	84,305,913

31 December 2020								
<i>In thousands of Naira</i>	Note	Carrying amount	Gross nominal inflow	Less than 3 months	6 months	12 months	5 years	More than 5 years
Non-derivative assets								
Cash and cash equivalents	6	16,406,918	16,634,971	16,634,971	-	-	-	-
Placements with banks	7	452,858	457,312	-	457,312	-	-	-
Mortgage refinance loans	8	17,478,531	35,342,350	881,079	884,939	1,769,878	12,988,360	18,818,094
Investments securities	9	50,045,403	124,364,850	2,552,464	452,667	4,029,892	24,076,475	93,253,352
Other financial assets	12	60,823	60,824	60,824	-	-	-	-
Total financial assets		84,444,532	176,860,307	20,129,338	1,794,918	5,799,770	37,064,835	112,071,446
Non-derivative liabilities								
Debt securities	13(a)	26,275,287	47,006,176	1,229,721	1,229,721	2,459,442	19,675,537	22,411,754
Borrowings	13(b)	37,598,419	70,776,518	-	788,015	801,076	7,092,503	62,094,924
Other financial liabilities	14	250,777	250,777	250,777	-	-	-	-
Total financial liabilities		64,124,483	118,033,471	1,480,498	2,017,736	3,260,518	26,768,040	84,506,679
Gap -assets/(liabilities)		20,318,083	58,826,835	18,648,840	(222,819)	2,539,252	10,296,794	27,564,768
Cumulative liquidity gap		-	-	18,648,840	18,426,021	20,965,274	31,262,068	58,826,836

The non-derivative financial assets and liabilities in the table above have been compiled using undiscounted cash flows, which include estimated interest payments.

(d) Capital management

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

The Nigeria Mortgage Refinance Company's regulatory capital includes:

- (i) Tier 1 capital, which includes paid-up share capital, share premium reserves, retained earnings, other reserves, published current earnings after deduction of goodwill, intangible assets and identified gains/

losses or as otherwise defined by the Central Bank of Nigeria for licensed financial institutions.

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

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

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

The table below shows the break-down of the Company's regulatory capital for the year ended 31 December 2021. The capital adequacy ratio has been computed in line with Basel II rule.

Capital Adequacy Computation

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Tier 1 Capital		
Share capital	2,125,444	2,125,444
Share premium	5,925,232	5,925,232
Retained earnings	9,166,105	7,234,232
Statutory reserves	3,455,308	2,957,545
Total qualifying Tier 1 capital	20,672,089	18,242,453
Less:		
Intangible assets	(4,901)	(12,954)
Adjusted total qualifying Tier 1 capital	20,667,188	18,229,499
Tier 2 Capital		
Subordinated term debt	24,506,298	26,275,287
Other Comprehensive Income	235,858	1,242,294
Total qualifying Tier 2 capital	24,742,156	27,517,581
Adjusted total qualifying Tier 2 capital (limited to 33.33% of total Tier 1 capital)	6,889,063	6,076,500
Investment in the capital of banking and financial institutions	(10,000)	(10,000)
Total Regulatory Capital	27,546,250	24,295,999

Risk weighted assets	31 December 2021	31 December 2020
Risk-weighted amount for credit risk	23,002,450	21,450,669
Risk-weighted amount for operational risk	9,605,530	8,907,094
Risk-weighted amount for market risk	-	-
Total weighted risk assets	32,607,980	30,357,763
Capital Adequacy Ratio (CAR)	84%	80%

The Company's capital adequacy ratio was 84% as at 31 December 2021 (31 December 2020: 80%) which was above CBN capital adequacy requirements of 10%.

(e) Use of estimates and judgments

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

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

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

These disclosures supplement the commentary on financial risk management.

Key sources of judgments

(i) Classification of financial assets

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

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

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

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

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

(ii) Determination of credit risk

The Company is required to consider historic, current and forward-looking information (including macro-economic data).

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

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

Key sources of estimation uncertainty

(i) Determining expected credit losses (ECL)

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

Following the initial transition to IFRS 9, changes in expected credit loss provisions will be reported in the income statement within the impairment caption. The

amounts reported may experience more volatility from period to period than that previously experienced under IAS 39 due to factors such as:

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

In respect of the SICR thresholds, based on the portfolios as at 1 January 2020, the percentage of assets identified as stage 2 as well as the value of ECL for stage 2 was relatively insensitive to a change in thresholds.

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

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

This will particularly impact the ECL charge for long dated assets in stage 2. It is expected that the impact on ECL due to changing macro-economic environment

will bring more volatility than the selection of the SICR thresholds.

(ii) Determining fair values

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

(v) Income Taxes

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

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

5 FINANCIAL ASSETS AND LIABILITIES

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

31 December 2021								
In thousands of Naira	Notes	Amortised cost	FVOCI - Debt instruments	FVOCI - Equity instruments	Mandatorily at FVTPL	Fair Value	Fair Value Heirachy	Total carrying amount
Cash and cash equivalents	6	2,819,440	-	-	-	2,819,440	2	16,406,918
Placements with banks	7	675,182	-	-	-	675,182	1	447,774
Mortgage refinance loans	8	21,104,863	-	-	-	21,104,863	1	17,478,531
Investment securities	9	57,334,806	2,405,495	10,000	-	51,464,295	2	59,750,301
Other financial assets	12	54,347	-	-	-	54,347	1	54,347
		81,988,638	2,405,495	10,000	-	76,118,127		94,137,871
Debt securities issued	13(a)	24,506,298	-	-	-	24,506,298	1	24,506,298
Borrowings	13(b)	37,594,065	-	-	-	37,594,065	1	37,594,065
Other financial liabilities	14	1,483,066	-	-	-	1,483,066	1	1,483,066
		63,583,429	-	-	-	63,583,430		63,583,430

31 December 2020

In thousands of Naira	Notes	Amortised cost	FVOCI - Debt instruments	FVOCI - Equity instruments	Mandatorily at FVTPL	Fair Value	Fair Value Heirachy	Total carrying amount
Cash and cash equivalents	6	16,406,918	-	-	-	16,406,918	2	16,406,918
Placements with banks	7	447,774	-	-	-	447,774	1	447,774
Mortgage refinance loans	8	17,478,531	-	-	-	17,478,531	1	17,478,531
Investment securities	9	45,564,118	4,471,285	10,000	-	40,617,531	2	50,045,402
Other financial assets	12	60,823	-	-	-	60,823	1	60,823
		79,958,164	4,471,285	10,000	-	75,011,576		84,439,448
Debt securities issued	13(a)	26,275,287	-	-	-	17,217,217	1	26,275,287
Borrowings	13(b)	37,598,419	-	-	-	37,598,419	1	37,598,419
Other financial liabilities	14	1,153,662	-	-	-	1,153,662	1	1,153,662
		65,027,367	-	-	-	55,969,297		65,027,368

6 CASH AND CASH EQUIVALENTS

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balances with banks	77,209	293,662
Money market placements	2,742,231	16,113,256
Cash and cash equivalents	2,819,440	16,406,918

7 PLACEMENTS WITH BANKS

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Placements with banks	705,020	452,858
Impairment loss allowance (see note (a) below)	(29,838)	(5,084)
	675,182	447,774
Current	675,182	447,774
Non-current	-	-
	675,182	447,774

(a) Impairment loss allowance

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balance, beginning of year	5,084	11,139
Impairment during the year	24,754	(6,056)
Balance, end of year	29,838	5,084

8 MORTGAGE REFINANCE LOANS

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Loans and advances	21,300,510	17,658,694
IFRS 9 Impairment loss allowance (see note (a) below)	(195,647)	(180,164)
Loans and advances at amortised cost	21,104,863	17,478,531
Loans and advances at amortised cost comprises of:		
<i>Loans to commercial banks</i>	14,339,981	12,610,971
<i>Loans to mortgage banks</i>	6,960,529	4,867,560
	21,300,510	17,478,531
<i>Current</i>	3,863,190	3,427,117
<i>Non-current</i>	17,241,673	14,051,415
	21,104,863	17,478,531

(a) Impairment loss allowance

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balance, beginning of year	180,164	300,746
Impairment loss during the year	15,484	(120,583)
Balance, end of year	195,649	180,164

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Secured against real estate	21,300,510	17,658,694
Unsecured	-	-
Balance, end of year	21,300,510	17,658,694

9 INVESTMENT SECURITIES

(a) Analysis of investments

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
<i>FVOCI investment securities:</i>		
Federal Government of Nigeria Bonds	2,405,495	4,471,285
Unquoted equity instrument	10,000	10,000
	2,415,495	4,481,285
<i>Investment securities at amortised cost:</i>		
Federal Government of Nigeria Bonds	56,873,724	45,642,961
Treasury bills	487,282	-
Impairment loss allowance (see note (i) below)	(26,200)	(78,843)
	57,334,806	45,564,118
	59,750,301	50,045,402

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
FVOCI securities	1,023,935	1,142,737
Investment securities at amortised cost	-	-
	1,023,935	1,142,737

Non-current

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
FVOCI securities	2,415,495	3,338,548
Investment securities at amortised cost	56,310,870	45,564,118
	58,726,365	48,902,666
	59,750,301	50,045,403

(i) Impairment loss allowance

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balance, beginning of year	78,843	32,757
Impairment (writeback)/loss during the year	(52,643)	46,087
Balance, end of year	26,200	78,843

(b) Movement in investment securities

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

	2021		
	FVOCI instruments	Instruments at amortised cost	Total
At 1 January, 2021	4,481,285	45,564,118	50,045,402
Impairment loss	(78)	52,721	52,643
Interest income	450,895	6,517,194	6,968,089
Interest received	(519,955)	(6,169,467)	(6,689,422)
Net (sale)/purchase of investment	(990,215)	11,370,240	10,380,025
losses from changes in fair value recognised in other comprehensive income (see note 15(d))	(1,006,436)	-	(1,006,436)
	2,415,495	57,334,806	59,750,301

	2020		
	FVOCI instruments	Instruments at amortised cost	Total
At 1 January, 2020	5,360,556	41,149,334	46,509,890
Impairment loss	3,200	(46,087)	(42,887)
Interest income	474,259	5,735,174	6,209,433
Interest received	(566,930)	(920,916)	(1,487,846)
Net (sale)/purchase of investment	(1,475,564)	(353,387)	(1,828,951)
Gains from changes in fair value recognised in other comprehensive income (see note 15(d))	685,764	-	685,764
	4,481,285	45,564,118	50,045,402

10 PROPERTY AND EQUIPMENT

<i>In thousands of Naira</i>	Computer Equipment	Office Equipment	Leasehold Improvements	Furniture and Fittings	Motor Vehicle	Plant and Machinery	Building	Land	Capital Work-in- progress	Total
Cost										
At 1 January 2021	217,734	13,281	71,107	30,989	167,403	13,226	39,000	276,000	101,747	930,487
Additions	15,125	935	-	1,207	-	-	-	11,820	29,632	58,720
Disposals	(9,726)	-	(70,767)	(30,489)	(9,068)	-	-	-	-	(120,051)
Reclassifications	26,292	469	74,742	29,876	-	-	-	-	(131,380)	-
At 31 December 2021	249,425	14,686	75,081	31,583	158,335	13,226	39,000	287,820	(0)	869,156
At 1 January 2020	283,323	20,011	86,899	81,378	162,065	28,183	39,000	276,000	24,020	1,000,879
Additions	2,721	303	-	-	-	-	-	-	106,072	109,096
Disposals	(74,094)	(7,033)	(15,792)	(50,389)	(17,223)	(14,957)	-	-	-	(179,488)
Reclassifications	5,784	-	-	-	22,561	-	-	-	(28,345)	-
At 31 December 2020	217,734	13,281	71,107	30,989	167,403	13,226	39,000	276,000	101,747	930,487
Depreciation										
At 1 January 2021	183,602	12,683	65,723	29,770	111,172	9,873	1,686	-	-	414,509
Charge for the year	28,394	499	14,401	5,363	24,373	1,846	780	-	-	75,656
Disposals	(9,072)	-	(68,460)	(29,883)	(6,006)	-	-	-	-	(113,421)
At 31 December 2021	202,924	13,182	11,664	5,250	129,539	11,719	2,466	-	-	376,744
At 1 January 2020	212,220	17,835	65,707	65,399	100,832	18,039	904	-	-	480,935
Charge for the year	41,779	1,459	14,342	11,184	27,125	5,455	782	-	-	102,127
Disposals	(70,397)	(6,611)	(14,326)	(46,813)	(16,785)	(13,621)	-	-	-	(168,552)
At 31 December 2020	183,602	12,683	65,723	29,770	111,172	9,873	1,686	-	-	414,509
Net book value										
At 31 December 2021	46,501	1,504	63,417	26,333	28,796	1,507	36,534	287,820	(0)	492,412
At 31 December 2020	34,132	598	5,384	1,219	56,231	10,143	37,314	276,000	101,747	519,944

(i) The Company had no capital commitments and no assets pledged as security for borrowings as at 31 December 2021 (31 December 2020: Nil)

(ii) There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (31 December 2020: Nil)

(iii) There were no leased assets during the year (31 December 2020: Nil)

11 INTANGIBLE ASSETS

In thousands of naira	Computer Software
Cost	
At 1 January 2021	86,082
Additions	-
At 31 December 2021	86,082
At 1 January 2020	86,082
Additions	-
At 31 December 2020	86,082
Amortization	
At 1 January 2021	73,128
Charge for the year	8,053
At 31 December 2021	81,181
At 1 January 2020	63,547
Charge for the year	9,581
At 31 December 2020	73,128
Net book value	
At 31 December 2021	4,901
At 31 December 2020	12,954

- (i) The Company had no commitments relating to the acquisition of intangible assets as at 31 December 2021 (31 December 2020: Nil)
- (ii) There were no capitalized borrowing costs related to the acquisition of intangible assets during the year (31 December 2020: Nil)

12 OTHER ASSETS

In thousands of Naira	31 December 2021	31 December 2020
<i>Non financial assets:</i>		
Prepaid staff benefits	12,365	12,934
Other prepaid expenses	12,157	-
WHT Receivable	72,520	63,404
	97,042	76,338
<i>Financial assets:</i>		
Staff loans and advances	13,889	20,413
Deposit for Shares (see (a) below)	26,746	26,746
Other receivables	16,753	16,165
	57,388	63,323
Impairment on other assets	(3,041)	(2,500)
	54,347	60,823
	151,389	137,161
<i>Current</i>	151,389	137,161
<i>Non-current</i>	-	-
	151,389	137,161

- (a) This represents NMRC's seed capital contribution towards the establishment of the Nigeria Mortgage Guarantee Company. The establishment of the company is a key component of the National Housing Finance Program which is being coordinated by the Central Bank of Nigeria.

13 BORROWINGS AND DEBT SECURITIES

(a) Debt securities issued

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Fixed rate debt security issued at amortized cost (see note (i) below)	24,506,298	26,275,287
	24,506,298	26,275,287
<i>Current</i>	4,785,725	4,074,112
<i>Non-current</i>	19,720,573	22,201,175
	24,506,298	26,275,287

- (i) Debt securities issued represents ₦8,000,000,000 14.9% Series 1 Fixed Rate Bonds issued on 29 July, 2015 with a maturity date of 29 July, 2030, ₦11,000,000,000 13.8% Series 2 Fixed Rate Bonds issued on 21 May, 2018 with a maturity date of 15 March, 2033 and a ₦10,000,000,000 7.2% Series 3 Fixed Rate Bonds issued on 2 Nov, 2020 with a maturity date of 2 Nov, 2027. The issues, which are under the Company's ₦440 billion Medium Term Note Programme, were guaranteed by the Federal Government of Nigeria with interest and principal repayable on a quarterly basis. Principal and interest repayments commenced on 15 September 2015 and 15 June 2018 and 15 June 2020 respectively.

The debt securities issued by the Company are backed by the unconditional guarantee of the Federal Government of Nigeria. According to the agreement between both parties, an annual fee of 10% of the Company's profit after tax is payable to the Federal government of Nigeria in relation to this guarantee to support the development of the Nigerian housing market, expectedly in the form of a Housing Market Development Fund. This Housing Market Development Fund is not yet established and the exact manner how to support the development of the Nigerian housing market is still open to further agreement in writing between the Company and the Federal Ministry of Finance. The payable amount as at the end of the financial year amounted to ₦1.4 billion (2020: ₦1.1 billion)(see note 14).

(b) Borrowings

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Borrowings from FGN (see note (i) below)	37,594,065	37,598,419
	37,594,065	37,598,419
<i>Current</i>	1,788,430	1,797,137
<i>Non-current</i>	35,805,635	35,801,282
	37,594,065	37,598,419

- (i) Borrowings from FGN represents an International Development Agency (IDA) facility granted to the Federal Republic of Nigeria for the funding of the Housing Finance Programme. This was received in Naira by Nigeria Mortgage Refinance Company Plc through the Central Bank of Nigeria (CBN) in three tranches, the first was received on 27 June 2014, the second on 3 July 2015 and the third on 12 October 2018. The purpose of the loan is to establish a mortgage liquidity facility. The loan is tenured 40 years (maturity on 13 May, 2053) from the date of commencement at an interest rate of 0.75% per annum plus the forex hedge rate of 3.5% for the duration of the loan. There is a ten year moratorium on principal, while interest shall accrue daily and is payable on the loan semi-annually in arrears on each payment date during the tenor of the loan (May 13 and November 13). The Company recognizes the loan at amortized cost.

14 OTHER LIABILITIES

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
<i>Non-financial liabilities</i>		
Payable to Federal Government of Nigeria for Housing Market Development Fund (see note 13(a)(i))	1,483,066	1,153,662
Provisions (see (i) below)	120,000	180,592
Accrued professional fees	39,433	39,665
NHF payable	-	280
NSITF Payable	-	246
ITF payable	7,118	7,724
	1,649,617	1,382,169
<i>Financial liabilities</i>		
Performance bonus payable to employees	193,893	176,530
Other account payable	54,797	54,851
Sundry Creditors	6,206	19,396
	254,896	250,777
	1,904,513	1,632,946
<i>Current</i>	1,904,513	1,632,946
<i>Non- Current</i>	-	-
	1,904,513	1,632,946

- (i) Amount represents provision for judgement awarded by the Abuja Division of the National Industrial Court of Nigeria (NIC) against the Company on 22 February 2021. Following an out-of-court settlement consented to by both parties on 27 January 2022, the excess over the settlement sum of ₦120 million has been written back in accordance with IAS 10. The appropriate disclosures relating to subsequent events have been made under Note 29.
- (ii) VAT is not applicable on mortgages, hence VAT and VAT Payable do not apply to the company

15 CAPITAL AND RESERVES

(a) Share capital and share premium

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
<i>(i) Authorised:</i>		
8,500,000,000 ordinary shares of ₦1.00 each	8,500,000	8,500,000
<i>(ii) Issued and fully paid:</i>		
Balance at beginning of the year (2,125,444,427 ordinary shares of ₦1.00 each)	2,125,444	2,125,444
	2,125,444	2,125,444
<i>(iii) Share premium</i>		
Share Premium is the excess paid by shareholders over the nominal value of their shares.		
<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balance at beginning of the year	5,925,232	5,925,232
	5,925,232	5,925,232
Share capital and share premium	8,050,676	8,050,676

(b) Retained earnings

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balance, beginning of year	7,234,232	5,610,014
Transfer from statement of comprehensive income	3,318,424	2,986,070
Transfer to statutory reserve	(497,764)	(447,910)
Transfer to statutory credit risk reserve (See note 26 below)	(17,356)	-
Dividend Paid (See note (ii) below)	(871,432)	(913,942)
Balance, end of year	9,166,104	7,234,232

(i) Included in the retained earnings is ₦5.6 billion (2020: ₦4.1 billion) which is the non-redistributable portion of retained earnings attributable to the utilization of the World Bank loan.

(ii) The company paid dividend of ₦871 million in 2021 (2020: ₦913 million)

(c) Statutory reserve

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balance, beginning of year	2,957,545	2,509,635
Transfer from retained earnings (see note (i) below)	497,764	447,910
Balance, end of year	3,455,309	2,957,545

(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). In 2021, having met the requirement, the company transferred 15% of its net profit to statutory reserves (2020: 15%)

(d) Fair value reserves

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balance, beginning of year	1,242,294	556,530
Fair value gain for the year (see note (i) below)	(1,006,436)	685,764
Balance, end of year	235,858	1,242,294

(i) Fair value reserves represent the difference between the amortized cost of the Company's FVOCI financial assets and the market value of those assets, as well as the impairment allowance on FVOCI financial assets. The difference is recognized in the statement of other comprehensive income and transferred to profit or loss upon derecognition of the financial asset. The transactions are not subject to tax and so there was no tax impact.

16 INTEREST INCOME AT EFFECTIVE INTEREST RATE

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Cash and cash equivalents	241,635	271,236
Placements with banks	6,039	125
Mortgage refinance loans	2,543,442	2,683,013
Treasury bills	31,481	623,038
Federal government of Nigeria bonds	6,936,608	5,586,394
Total interest income calculated using effective interest method	9,759,205	9,163,807

(a) Interest income can further be broken down as follows:

In thousands of Naira	31 December 2021		
	Amortised cost	FVOCI	Total
Cash and cash equivalents	241,635	-	241,635
Placements with banks	6,039	-	6,039
Mortgage refinance loans	2,543,442	-	2,543,442
Treasury bills	31,481	-	31,481
Federal government of Nigeria bonds	6,485,713	450,895	6,936,608
	9,308,310	450,895	9,759,205

In thousands of Naira	31 December 2020		
	Amortised cost	FVOCI	Total
Cash and cash equivalents	271,236	-	271,236
Placements with banks	125	-	125
Mortgage refinance loans	2,683,013	-	2,683,013
Treasury bills	623,038	-	623,038
Federal government of Nigeria bonds	5,112,136	474,259	5,586,394
	8,689,548	474,259	9,163,807

17 INTEREST EXPENSE

Interest expense at amortised cost comprises of:

In thousands of Naira	31 December 2021	31 December 2020
Interest expense on borrowings	1,584,737	1,593,445
Interest expense on debt securities issued	3,149,895	2,661,719
	4,734,632	4,255,164

18 OTHER INCOME

In thousands of Naira	31 December 2021	31 December 2020
Gain on asset disposal	1,836	13,204
Other income (See note 14(i) above)	144,791	514
	146,627	13,718

19 PERSONNEL EXPENSES

In thousands of Naira	31 December 2021	31 December 2020
Salaries and allowances	510,249	573,073
Defined contribution plan	21,331	22,667
Group Life Assurance	9,681	7,555
Other staff cost (See note (a) below)	257,489	180,676
	798,750	783,970

(a) Other staff cost is made up of other short term employee costs such as health insurance, overtime allowances, statutory payroll contributions and performance incentives.

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

	31 December 2021	31 December 2020
Executive	1	1
Management	10	11
Non-management	12	12
	23	24

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
#300,001 - N2,000,000	-	-
#2,000,001 - N3,000,000	-	-
#3,000,001 - N4,000,000	-	-
#4,000,001 - N5,000,000	-	2
#5,000,001 - N6,000,000	-	3
#6,000,001 - N7,000,000	-	-
#7,000,001 - N8,000,000	2	2
#8,000,001 - N9,000,000	8	2
#9,000,001 - N10,000,000	-	2
#10,000,001 and above	13	13
	23	24

20 CREDIT LOSS EXPENSE

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
(Writeback)/Impairment of loans and advances	16,025	(120,583)
Impairment losses on loans and advances	16,025	(120,583)
(Write-back)/Impairment of investment securities at FVOCI	78	(3,200)
Impairment of investment securities at amortised cost	(52,721)	46,087
(Writeback)/Impairment of placements with banks	24,754	(6,056)
Impairment on other financial assets	(27,889)	36,831
Total Impairment	(11,864)	(83,752)

21 OTHER OPERATING EXPENSES

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Service charge/legal fees	20,900	840
ITF Levy	3,820	3,344
NSITF	5,585	8,138
General admin expenses	39,839	36,103
Net loss on disposal of property and equipment	2,651	4,237
Audit fee (See note b below)	24,000	20,865
Custody fees	35,785	19,586
Rent	2,200	24,000
Bank charges	7,353	5,298
Utility and electricity	9,918	14,227
Advertisement	7,485	20,229
Insurance	5,525	6,109
Provision for judgement debt (See note 14 (i))	-	180,592
IT cost	86,269	104,081
Professional fees (see note (a) below)	98,832	48,176
Stationery and printing	4,135	845
Recruitment expense	502	151
Gifts, Hospitality and Entertainment	26,638	28,269
Subscription expenses	32,303	16,637
Annual general meeting expenses	13,250	13,462
Business and Product development expenses	12,286	5,450
Donations	8,376	14,677
Directors fees	35,000	35,000
Flight & transportation cost	14,000	22,076
Hotel accommodation expenses	293	6,080
Conferences	8,346	3,179
Other directors expenses	52,292	20,986
Staff welfare and training	25,670	100,584
Sponsorship	1,191	8,754
Contribution to Federal Government of Nigeria for Housing Market Development Fund (see note 13(a)(ii))	329,406	298,607
	913,850	1,070,582

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Financial consultancy services	7,630	8,113
Human resources consultancy services	-	90
Tax consultancy services	6,723	5,452
Bond rating/related services	51,695	13,534
Project management, compliance and market advisory services	11,357	4,294
Other advisory services	21,428	16,694
	98,832	48,176

- (b) The external auditors, Messrs KPMG Professional Services, was paid N5 million during the year for CBN risk management review performed. Other than this, KPMG did not engage in any other services for NMRC, apart from the audit for which the KPMG earned a fee of N24m (2020: N20.865m)

22 TAXATION

(a) Income tax expense

(i) Recognised in profit or loss

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
<i>Major component of the tax expense:</i>		
Minimum tax	24,760	23,209
	24,760	23,209
Income tax expense:		
Information technology tax	34,718	30,422
NASENI levy	8,679	-
Police trust fund levy	174	152
	43,571	30,574
Total income tax expense	68,331	53,783

(ii) Reconciliation of effective tax rate

<i>In thousands of Naira</i>	31 December 2021		31 December 2020	
Profit before tax		3,386,755		3,039,853
Adjustment for information technology tax		-		(30,422)
		3,386,755		3,009,431
Tax using domestic corporation tax rate	30%	1,016,027	30%	902,829
Non-deductible expenses	1%	46,410	4%	116,175
Tax exempt income	-63%	(2,117,724)	-64%	(1,912,803)
Education tax	0%	-	0%	-
Information technology tax	1%	34,718	1%	30,422
Police trust fund levy	0%	174	0%	152
Naseni levy	0%	8,679	0%	-
Balancing charge	0%	815	0%	-
Unrecognised deductible temporary differences	31%	1,054,472	32%	969,040
Other permanent differences	0%	-	-2%	(75,241)
	1%	43,571	1%	30,574

(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.

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balance, beginning of year	53,320	78,603
Charge for the year	68,331	53,783
Tax paid	(53,342)	(79,066)
Balance, year end	68,309	53,320

(c) Unrecognised deferred tax asset

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

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

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Property and equipment	288,137	209,262
Unrelieved tax losses	5,221,975	4,192,123
Collective impairment	72,955	59,279
	5,583,067	4,460,664

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Balance, beginning of the year	4,460,664	3,491,624
Credit for the year	1,122,403	969,040
Balance, end of the year	5,583,067	4,460,664

23 EARNINGS PER SHARE (BASIC AND DILUTED)**(a) Basic earnings per share**

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

Weighted average number of ordinary shares

<i>In thousands of units of shares</i>	31 December 2021			
		Shares Outstanding	Period Covered	Weighted shares
Number of Shares at the beginning of the year	15(a)	2,125,444	1.00	2,125,444
Number of Shares at the end of the year	15(a)	2,125,444	1.00	2,125,444
Weighted average number of ordinary shares				2,125,444
Profit attributable to equity holders				3,318,424
Earnings per share (kobo)				156

Weighted average number of ordinary shares

<i>In thousands of units of shares</i>	31 December 2020			
		Shares Outstanding	Period Covered	Weighted shares
Number of Shares at the beginning of the year	15(a)	2,125,444	1.00	2,125,444
Number of Shares at the end of the year	15(a)	2,125,444	1.00	2,125,444
Weighted average number of ordinary shares				2,125,444
Profit attributable to equity holders				2,986,070
Earnings per share (kobo)				140

- (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.

24 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 2021 (31 December 2020: Nil)

25 CONTINGENT LIABILITIES

The Company has no contingent liability as at 31 December 2021.

26 RELATED PARTY TRANSACTIONS

(a)(i) Key management personnel compensation

Key management personnel are those persons having authority and responsibility, whether directly or indirectly, for planning, directing, and controlling the activities of the Company. This includes executive and non-executive directors, and senior management personnel.

Compensation of the Company's key management personnel comprises:

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Short-term employee benefits	287,417	250,021
Pension cost	9,700	9,681
Contributions to defined contribution plans	51,150	52,960
	348,267	110,736

(ii) Directors' emoluments

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Fees	35,000	35,000
Sitting and other allowances	16,150	17,960
	51,150	52,960

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

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
₦1,000,000 and above	9	9

(iii) Chairman and Highest paid director

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Chairman	7,950	8,700
Highest paid director	117,749	107,886

(b) Transactions with shareholders

During the year ended 31 December 2021, the following transactions occurred between the Company and some of its shareholders.

(i) Money market placements

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Access Bank Plc		
-Current accounts	34,884	13,813
-Money market placements	250,603	10,330,000
Sterling Bank Plc		
-Current accounts	18,569	123,051
-Money market placements	237,966	4,990,000
Homebase Mortgage Bank		
-Money market placements	1,563,195	621,500
Delta Trust Mortgage Bank		
-Money market placements	50,437	-
Gateway Mortgage bank		
-Money market placements	1,022,137	-
Infinity Trust Mortgage Bank		
-Money market placements	100,312	100,000
	3,278,103	16,178,363

(ii) Mortgage refinance loans

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Imperial Homes Mortgage Bank Limited	90,993	400,045
First Trust Mortgage Bank Plc	796,676	1,091,354
Suntrust Bank Nigeria Limited	1,147,239	1,199,982
Homebase Mortgage Bank Limited	2,826,643	2,533,250
Stanbic IBTC Bank Plc	3,509,316	3,683,339
Sterling Bank Plc	1,891,847	2,102,882
Infinity Trust Mortgage Bank Plc	1,645,806	817,906
Access Bank Plc	5,564,217	5,736,743
Omluabi Mortgage Bank Plc	52,594	62,900
Brent Mortgage Bank	87,160	25,597
Gateway Mortgage bank	3,610	4,696
	17,616,101	17,658,694

(iii) Interest income

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Access Bank Plc		
-Interest income on money market placements	53,189	100,166
Sterling Bank Plc		
-Interest income on money market placements	35,649	92,584
Homebase Mortgage Bank		
-Interest income on money market placements	69,227	62,593
Gateway Mortgage bank		
-Interest income on money market placements	41,973	-
Delta Trust Mortgage Bank		
-Interest income on money market placements	437	-
Infinity Trust Mortgage Bank		
-Interest income on money market placements	13,649	6,092
FirstTrust Mortgage Bank		
-Interest income on money market placements	-	9,926
	214,122	271,361

27 STATEMENT OF PRUDENTIAL ADJUSTMENTS**(i) Loans and advances to customers**

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
ECL impairment allowance on mortgage refinance loans 8 (b)	195,649	180,164
Total impairment allowance on mortgage refinance loans (a)	195,649	180,164
Total impairment based on prudential guidelines (b)	213,005	176,601
Difference (c) = a - b	(17,356)	3,563

In accordance with Central Bank of Nigeria Prudential Guidelines, the Company has made transfer to the regulatory risk reserve during the year because IFRS 9 impairment allowance is lower than impairment based on prudential guidelines.

28 STATEMENT OF CASHFLOW WORKINGS**(a) Changes in Mortgage refinance loans**

(i) <i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Mortgage refinance loans at the beginning of the year		17,478,531	18,339,488
Interest income	16	2,543,442	2,683,013
Interest received	28(ii)	(2,574,304)	(2,673,083)
Impairment writeback		(15,484)	120,583
Mortgage refinance loans at the end of the year		(21,104,863)	(17,478,531)
Gross movement in Mortgage refinance loans		(3,672,678)	991,471
Amount recognized in cash flow		(3,672,678)	991,471

(ii) <i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Interest receivable at the beginning of the year		166,000	179,376
Interest income during the year	16	2,586,904	2,659,706
Interest receivable at the end of the year		(178,600)	(166,000)
Interest received during the year		2,574,304	2,673,083

(b) Net change in placements with banks

(i) <i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Placements at the beginning of the year	7	447,774	1,494,950
Interest income		247,674	271,361
Impairment (charge)/writeback	7	(24,754)	6,056
Placements at the end of year	7	(675,182)	(447,774)
Cash inflow/(outflow)		(4,488)	1,324,593

(c) Changes in other assets

<i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Balance at the beginning of the year	12	137,161	121,220
Impairment (charge)		(540)	-
Balance at the end of the year	12	(151,389)	(137,161)
Cash outflow		(14,768)	(15,941)

(d) Changes in other liabilities

<i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Balance at the end of the year	14	1,904,513	1,632,946
Balance at the beginning of the year	14	(1,632,946)	(1,198,908)
Cash inflow		271,567	434,038

(e) Interest received

<i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Total interest receivable in prior year		48,574,100	35,249,364
Interest income in current year	16	9,759,205	9,163,807
		58,333,305	44,413,171
Total interest receivable in current year		(67,597,031)	(48,574,100)
Interest received		(9,263,726)	(4,160,928)
Interest income received on mortgage refinance loans	27(a)	2,574,304	2,673,083
Interest income received on investment securities - FVOCI	9(b)	519,955	566,930
Interest income received on investment securities - Amortised cost	9(b)	6,169,467	920,916
Total interest income received		9,263,726	4,160,928

(f) Repayment of borrowings and debt securities

<i>In thousands of Naira</i>	31 December 2021	31 December 2020
Total payable in prior year		
- Debt securities	26,275,287	17,264,522
- Borrowings	37,598,419	37,598,419
Proceeds from debt securities issued during the year	-	10,000,000
Interest paid in current year	(4,658,732)	(4,376,665)
Principal repaid in current year	(1,849,243)	(867,734)
Interest expense in current year	4,734,632	4,255,164
	62,100,363	63,873,706
Total payable in current year		
- Debt securities	(24,506,298)	(26,275,287)
- Borrowings	(37,594,065)	(37,598,419)
	-	-
Principal repaid		
- Debt securities	(1,849,243)	(867,734)
- Borrowings	-	-
Total principal repaid	(1,849,243)	(867,734)
Interest paid		
- Debt securities	(3,069,641)	(2,783,220)
- Borrowings	(1,589,091)	(1,593,445)
Total interest paid	(4,658,732)	(4,376,665)

(g) Profit on disposal of property and equipment

<i>In thousands of Naira</i>	Note	31 December 2021	31 December 2020
Cost	10	120,051	179,488
Accumulated depreciation	10	(113,421)	(168,552)
NBV		6,630	10,936
Sales proceed		5,815	6,698
Loss on disposal	18/21	(815)	(4,237)

29 EVENTS AFTER THE REPORTING DATE

Apart from the matter noted in Note 14(i), there are no subsequent events that need to be accounted for or disclosed in the financial statement.

IMPACT

BOOSTING LIQUIDITY IN THE MORTGAGE MARKET



₦29bn raised from
the Capital Market



₦26bn deployed to
Refinancing Banks'
Mortgage Portfolios

**As at 31st December, 2021*

**We Support Banks to Make
Homeownership Possible!**

03

Other National Disclosures

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03

Other National Disclosures



VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	December 2021	%	December 2020	%
Gross earnings	9,905,832		9,177,525	
Loan loss expenses/diminution in risk assets	(16,025)		120,583	
Bought-in materials and services - Local	(885,961)		(1,107,413)	
Value added	9,003,846	100	8,190,695	(100)
Applied to pay:				
<i>To providers of finance</i>				
Interest expense on borrowings	1,584,737	18	1,593,445	19
Interest expense on debt securities issued	3,149,895	35	2,661,719	31
<i>To employees</i>				
Personnel expenses	798,750	9	783,970	11
<i>To the Government</i>				
Taxation	68,331	1	53,783	1
<i>Retained in the business:</i>				
Depreciation and amortisation	83,709	1	111,708	2
Profit for the year	3,318,424	37	2,986,070	36
Value added	9,003,846	100	8,190,695	100

FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION

In thousands of Naira	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Assets					
Cash and cash equivalents	2,819,440	16,406,918	5,859,280	5,586,311	1,920,782
Placements with banks	675,182	447,774	1,494,950	919,133	-
Mortgage refinance loans	21,104,863	17,478,531	18,339,488	17,024,218	8,225,029
Investment securities - FVOCI	2,415,495	4,481,285	5,360,556	6,651,971	15,188,948
Investment securities - Amortised cost	57,334,806	45,564,118	41,149,334	38,381,469	16,572,789
Other assets	151,389	137,161	121,220	142,433	269,907
Intangible assets	4,901	12,954	22,535	40,620	27,379
Property and equipment	492,412	515,978	519,944	545,727	335,784
Total assets	84,998,488	85,044,719	72,867,307	69,291,882	42,540,617
Liabilities					
Other liabilities	1,904,513	1,632,946	1,198,908	662,702	569,449
Current tax liabilities	68,309	53,320	78,603	93,858	18,931
Debt securities issued	24,506,298	26,275,287	17,264,522	17,743,249	7,402,781
Borrowings	37,594,065	37,598,419	37,598,419	37,598,419	22,816,413
Total liabilities	64,073,185	65,559,972	56,140,452	56,098,228	30,807,574
Net assets	20,925,304	19,484,747	16,726,855	13,193,654	11,733,044
Capital and reserves					
Share capital and share premium	8,050,676	8,050,676	8,050,676	8,050,676	7,838,132
Retained earnings	9,166,104	7,234,232	5,610,014	3,497,095	2,650,750
Statutory reserves	3,455,309	2,957,545	2,509,635	1,604,097	1,105,830
Statutory credit risk reserve	17,356	-	-	-	41,551
Fair value reserve	235,858	1,242,294	556,530	41,785	96,779
Total equity	20,925,303	19,484,747	16,726,855	13,193,654	11,733,044
Total liabilities and equities	84,998,488	85,044,719	72,867,307	69,291,882	42,540,617

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>In thousands of Naira</i>	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Interest income at effective interest rate	9,759,205	9,163,807	9,610,997	7,079,510	6,149,675
Interest expense at effective interest rate	(4,734,632)	(4,255,164)	(4,198,011)	(3,177,341)	(2,173,194)
Net interest income	5,024,573	4,908,643	5,412,986	3,902,169	3,976,481
Other income	146,627	13,718	7,093	6,741	11,105
Total income	5,171,200	4,922,361	5,420,079	3,908,910	3,987,586
Impairment of loans and advances	11,864	83,752	(141,065)	6,981	40,172
Personnel expenses	(798,750)	(783,970)	(901,201)	(753,486)	(898,610)
Depreciation & amortization	(83,709)	(111,708)	(172,412)	(177,083)	(132,297)
Other operating expenses	(913,850)	(1,070,582)	(1,108,027)	(1,049,826)	(1,050,891)
Profit before income tax	3,386,755	3,039,853	3,097,374	1,935,496	1,945,960
Income tax expense	(68,331)	(53,783)	(78,917)	(94,387)	(19,058)
Profit for the year	3,318,425	2,986,071	3,018,457	1,841,109	1,926,902
Items that are or may be reclassified to profit or loss					
- Changes in fair values of FVOCI debt instruments	(1,006,436)	685,764	514,745	(92,105)	287,178
Other comprehensive income, net of income tax	(1,006,436)	685,764	514,745	(92,105)	287,178
Total comprehensive profit for the year	2,311,989	3,671,835	3,533,202	1,749,004	2,214,080
Profit attributable to:					
Equity holders of the Company	3,318,425	2,986,071	3,018,457	1,841,109	1,926,902
Profit for the year	3,318,425	2,986,071	3,018,457	1,841,109	1,926,902
Total comprehensive profit attributable to:					
Equity holders of the Company	2,311,989	3,671,835	3,533,202	1,749,004	2,214,080
Total comprehensive profit for the year	2,311,989	3,671,835	3,533,202	1,749,004	2,214,080
Earnings per share (Basic and diluted)- kobo	156 k	140 k	142 k	93 k	104 k

**Affix
Current
Passport**

(To be stamped by Bankers)

Write your name at the back of
your passport photograph



E-DIVIDEND MANDATE ACTIVATION FORM

TICK	NAME OF COMPANY	SHARE A/C NO
	NIGERIA MORTGAGE REFINANCE COMPANY [NMRC] PLC	

Instruction

Only Clearing Banks are acceptable

Please complete all sections of this form to make it eligible for processing and return to the address below

The Registrar

Meristem Registrars And Probate Services Limited
213, Herbert Macaulay Way
Adekunle-Yaba
Lagos State

I/We hereby request that henceforth, all my/our Dividend Payment(s) due to me/us from my/our holdings in all the companies ticked at the right hand column be credited directly to my \ our bank account detailed below:

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

Shareholder Account Information

Surname/Company's Name	First Name	Other Names
<input type="text"/>	<input type="text"/>	<input type="text"/>

Address:

City	State	Country
<input type="text"/>	<input type="text"/>	<input type="text"/>

Previous Address (If address has changed)

CHN	CSCS A/c No
<input type="text"/>	<input type="text"/>

Name of Stockbroker

Mobile Telephone 1	Mobile Telephone 2
<input type="text"/>	<input type="text"/>

Email Address

Company Seal (If applicable)

Signature(s)	Joint/Company's Signatories
<input type="text"/>	<input type="text"/>

Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: 01-2809250-4



Meristem Registrars And Probate Services Limited

Web: www.meristemregistrars.com; email: info@meristemregistrars.com



SHAREHOLDER'S INFORMATION UPDATE FORM

Date (DD/MM/YYYY)

I/We wish to request that my/our details as (a) Shareholder(s) of Nigeria Mortgage Refinance Company PLC be amended to reflect the following information:

Company Name:

Present Postal Address

Previous Postal Address

E-Mail

Mobile (GSM) Phone Number

BVN

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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I/We confirm that all information supplied is to the best of my/our knowledge correct and hereby indemnify United Securities Limited against any loss that may arise from their adoption of the details as supplied.

Company Seal/ Incorporation number (Corporate Shareholder) <hr/>

AUTHORISED SIGNATURE & STAMP OF BANKERS
--

Kindly return the duly completed form to the Registrar; Meristem Registrars And Probate Services Limited 213, Herbert Macaulay Way Adekunle-Yaba Lagos State

PROXY FORM

The 8th Annual General Meeting of Nigeria Mortgage Refinance Company PLC (NMRC) will hold at the Abora Hall, Eko Hotel and Suites, Adetokunbo Ademola Street, Victoria Island, Lagos on Thursday, 28th July 2022 at 10:00a.m.

I / We, of being a member/members of Nigeria Mortgage Refinance Company PLC hereby appoint:

(Please tick the box beside the name of the proxy being appointed)

1	Dr. Olabanjo Obaleye	
2	Mr. Ayo Olowookere	
3	Mrs. Ruby Okoro	
4	Mr. Kehinde Ogundimu	
5	Mr. Arinze Adigwe	
6	Ms. Oluwatosin Aringbala	
7	Mr. Olashore Rotimi Moses	
8	Mrs. Kudi Badmus	

or failing any of the names above, the Chairman as my/our proxy to act and vote on behalf of me/us at the Annual General Meeting to be held on 28th July 2022 at 10:00 a.m at the Abora Hall, Eko Hotel and Suites, Adetokunbo Ademola Street, Victoria Island, Lagos or at any adjournment thereof.

Dated this day of 2022.

Signature of Shareholder

Name of Shareholder

S/N	Resolutions	For	Against
	<p>Ordinary Business:</p> <ol style="list-style-type: none"> 1. To lay before the Company in general meeting, the Audited Financial Statements for the period ended 31st December 2021 and the Reports of the Auditors, the Directors and the Statutory Audit Committee thereon 2. To declare a dividend 3. To re-elect the following retiring Directors: <ol style="list-style-type: none"> (a) Mr. Alexander Adeyemi, as Director (b) Dr. Olabanjo Obaleye, as Director (c) Mrs. Fatima Wali-Abdurrahman, as Director 4. To disclose the remuneration of managers 5. To re-appoint KPMG Professional Services as Auditors to the Company from the end of the Annual General Meeting until the end of the next Annual General Meeting. 6. To authorise the Directors to fix the remuneration of the Auditors 7. To elect members of the Statutory Audit Committee 		
	<p>Special Business:</p> <ol style="list-style-type: none"> 8. To consider and if thought fit, pass the underlisted as an ordinary resolution of the Company: <p>“THAT the Directors’ compensation package presented by the Board be and is hereby approved’</p> 9. To consider and if thought fit, pass the underlisted as special resolutions of the Company: <ol style="list-style-type: none"> a. THAT the approval of the Shareholders be and is hereby granted for the cancellation of the Company’s unissued share capital of ₦6,374,555,573.00 divided into 6,374,555,573 ordinary shares of ₦1.00 each and that the share capital of the Company be modified from ₦8,500,000,000.00 divided into 8,500,000,000 ordinary shares of ₦1.00 each to ₦2,125,444,427.00 divided into 2,125,444,427 ordinary shares of ₦1.00 each, and that the memorandum of association be amended accordingly’. b. THAT the Company be and is hereby authorised to perform all acts and to do all such other things as may be necessary for or incidental to giving effect to Resolution 9(a)’. 10. To consider and if thought fit, pass the underlisted as special resolutions of the Company: <p>“THAT the Articles of Association of the Company be amended as follows:</p> <ol style="list-style-type: none"> a. Insertion of the provisions of CAMA 2020 to replace the corresponding provisions cited from CAMA 1990. b. Amendment of Article 12.8 to read as follows: <p>‘Unless otherwise determined by the Company by Ordinary Resolution, all retiring Directors shall be eligible for re-election in the manner stated below:</p> <ol style="list-style-type: none"> i. Non-Executive Directors, for two further terms of four years ii. Independent Directors, for one further term of four years <p>after which time any such Director shall retire and be disqualified from being re-appointed, subject to the provisions of extant laws.’</p> c. Amendment of Article 12.18 to read as follows: <p>‘Board meetings shall be held at least once every quarter and at any time the Directors deem fit and at any such place as may be agreed amongst the Directors.’</p> 		

NOTES:

To be valid, this proxy form must be filled, signed and lodged (together with any power of attorney or other authority under which it is signed) at the office of the Company’s Registrars, Meristem Registrars & Probate Services Limited, or sent via email to info@meristemregistrars.com copying tmogbo@nmrc.com.ng not later than 48 hours before the time of holding the meeting. In the case of a corporation, this proxy form should be completed either by affixing the common seal or by the signature of a duly authorized officer.

ADMISSION CARD

8th Annual General Meeting of Nigeria Mortgage Refinance Company PLC (NMRC) will hold at the Abora Hall, Eko Hotel and Suites, Adetokunbo Ademola Street, Victoria Island, Lagos on Thursday, 28th July 2022 at 10:00a.m.

.....
Name of Shareholder (in BLOCK LETTERS)

