Nigeria Mortgage Refinance Company Plc

Unaudited Financial Statements

30 June 2020

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Corporate information

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

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

Statement of financial position

As at 30 June 2020

In thousands of Naira	**Notes**	**30 June 2020**	**31 December 2019**
Assets			
Cash and cash equivalents	6	2,251,261	5,859,280
Placements with banks	7	2,677,136	1,494,950
Mortgage refinance loans	8	17,666,949	18,339,488
Investment securities			
- FVOCI	9	4,176,852	5,360,556
- Amortised cost	9	47,279,533	41,149,334
Property and equipment	10	463,695	519,944
Intangible assets	11	17,196	22,535
Other assets	12	180,692	121,220
Total assets		74,713,314	72,867,307
Liabilities			
Debt securities issued	13(a)	16,992,774	17,264,522
Borrowings	13(b)	37,598,419	37,598,419
Current tax liabilities	21(b)	95,891	78,603
Other liabilities	14	1,225,977	1,198,908
Total liabilities		55,913,060	56,140,453
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)	7,034,849	5,610,014
Statutory reserves	15(c)	2,761,076	2,509,634
Statutory credit risk reserve		-	-
Fair value reserve	15(d)	953,654	556,530
Total equity		18,800,255	16,726,854
Total liabilities and equities		74,713,314	72,867,307

The unaudited financial statements were approved by the Board of Directors on 17 July 2020 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:

Ifiok Ikpa
Financial Controller
FRC/2013/ICAN/00000000811

The notes on pages 7 to 41 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
For the period ended 30 June 2020

In thousands of Naira	**Note**	**3 months to 30 June 2020**	**3 months to 30 June 2019**	**6 months to 30 June 2020**	**6 months to 30 June 2019**
Gross earnings		2,302,263	2,408,417	4,618,661	4,760,804
Interest income	16	2,302,207	2,401,566	4,618,164	4,753,919
Interest expense	17	(1,028,989)	(1,048,406)	(2,064,948)	(2,089,679)
Net interest income		1,273,218	1,353,160	2,553,216	2,664,240
Other income	18	56	6,851	497	6,885
Total income		1,273,274	1,360,011	2,553,713	2,671,125
(Impairment)/write back for loans and advances	8(a)	-	-	(2,022)	-
Personnel expenses	19	(166,558)	(211,517)	(373,112)	(431,967)
Depreciation & amortization	10,11	(27,962)	(46,529)	(61,865)	(90,801)
Other operating expenses	20	(186,758)	(254,936)	(423,151)	(496,044)
Profit before income tax		891,995	847,029	1,693,563	1,652,314
Income tax expense	21(a)	(8,904)	(85,046)	(17,288)	(92,825)
Profit for the year		883,092	761,982	1,676,276	1,559,489
Items that are or may be reclassified to profit or loss					
- Changes in fair values of FVOCI debt instruments	15(d)	544,696	(16,591)	397,124	126,415
- Impairment loss	15(d)			-	-
Other comprehensive income, net of income tax		544,696	(16,591)	397,124	126,415
Total comprehensive profit for the period		1,427,788	745,391	2,073,400	1,685,904
Profit attributable to:					
Equity holders of the Company		883,092	761,982	1,676,276	1,559,489
Profit for the period		883,092	761,982	1,676,276	1,559,489
Total comprehensive profit attributable to:					
Equity holders of the Company		1,427,788	745,391	2,073,400	1,685,904
Total comprehensive profit for the period		1,427,788	745,391	2,073,400	1,685,904
Earnings per share (Basic and diluted) - kobo	22	42	36	79	73

The notes on pages 7 to 41 are an integral part of these financial statements.

Statement of changes in equity
For the period ended 30 June 2020

In thousands of Naira	**Share capital**	**Share premium**	**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 period	-	-	1,676,276	-	-	1,676,276
Transfer to statutory reserve	-	-	(251,441)	251,441	-	-
Other comprehensive income for the period	-	-	-	-	397,124	397,124
Net impairment loss/(write back)	-	-	-	-	-	-
Total comprehensive income	-	-	1,424,834	251,441	397,124	2,073,400
Transactions with owners of the Company recognised directly in equity:						
Bonus dividend shares issued during the year	-	-	-	-	-	-
Balance at 30 June 2020	**2,125,444**	**5,925,232**	**7,034,849**	**2,761,076**	**953,654**	**18,800,255**

In thousands of Naira	**Share capital**	**Share premium**	**Retained earnings/ (loss)**	**Statutory reserves**	**Fair value reserves**	**Total**
Balance at 1 January 2019	2,125,444	5,925,232	3,497,090	1,604,098	41,785	13,193,650
Profit for the period	-	-	1,559,488	-	-	1,559,488
Transfer to statutory reserve	-	-	(467,847)	467,847	-	-
Other comprehensive income for the period	-	-	-	-	126,415	126,415
Net impairment loss/(write back)	-	-	-	-	-	-
Total comprehensive income	-	-	1,091,642	467,847	126,415	1,685,904
Transactions with owners of the Company recognised directly in equity:						
Bonus dividend shares issued during the period	-	-	-	-	-	-
Balance at 30 June 2019	**2,125,444**	**5,925,232**	**4,588,732**	**2,071,944**	**168,201**	**14,879,554**

The notes on pages 7 to 41 are an integral part of these financial statements.

Statement of cash flows
for the period ended 30 June 2020

In thousands of Naira	**Note**	**30 June 2020**	**30 June 2019**
Cash flows from operating activities			
Profit for the period		1,676,276	1,559,489
Tax expense	21(a)	17,288	92,825
Profit before tax		1,693,563	1,652,314
Adjustments for:			
Interest income	16	(4,618,164)	(4,753,919)
Interest expense	17	2,064,948	2,089,679
Depreciation and amortization	10,11	61,865	90,801
Loss on disposal of Property and Equipment	27(g)	-	993
Impairment loss/(writeback) on mortgage refinance loans	8(a)	2,022	-
		(795,766)	(920,132)
Changes in:			
Mortgage refinance loans	27(a)	(779,778)	(279,341)
Placements with banks	27(b)	(1,031,626)	(575,718)
Other assets	27(c)	59,472	9,829
Other liabilities	27(d)	27,068	93,255
		(2,520,629)	(1,672,107)
Interest received	27(e)	6,464,469	5,797,538
Tax paid	21(b)	-	(94,172)
Net cash flows from operating activities		3,943,838	4,031,259
Cash flows from investing activities			
Net (purchase)/sale of financial investment	9(b)	(5,355,789)	(1,028,888)
Acquisition of property and equipment	10	(302)	(131,702)
Acquisition of intangible assets	11	-	-
Proceeds from disposal of property and equipment	26(g)	20	609
Net cash flows used in investing activities		(5,356,070)	(1,159,981)
Cash flows from financing activities			
Interest paid on debt securities issued	26(f)	(1,261,076)	(1,291,246)
Interest paid on borrowings	26(f)	(792,369)	(788,045)
Repayment of debt security issued	26(f)	(142,343)	(519,017)
Proceeds from borrowings & debt securities issued	26(f)	-	-
Net cash flows from financing activities		(2,195,787)	(2,598,308)
Net increase in cash and cash equivalents		(3,608,019)	272,969
Cash and cash equivalents, beginning of the period	6	5,859,280	5,586,311
Cash and cash equivalents, end of the period	6	2,251,261	5,859,280

The notes on pages 7 to 41 are an integral part of these financial statements.

Notes to the financial statements
for the period ended 30 June 2020

1 Reporting entity

Nigeria Mortgage Refinance Company Plc ("the Company") is a public liability company incorporated in Nigeria on 24 June, 2013 under the Companies and Allied Matters Act (CAMA). The address of the Company's corporate office is 18 Missisipi Street, Maitama, Abuja. The Company is primarily involved in provision of long term funds to eligible mortgage lenders by issuing long term bonds in the Nigerian financial market and refinancing, securitising or purchasing mortgage loans.

2 Basis of preparation

(a) *Statement of compliance*

The interim condensed financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* .

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2019.

The financial statements were authorised for issue by the Board of Directors on 17 July 2020.

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

(c) *Functional and presentation currency*

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

(d) *Use of estimates and judgments*

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

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

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

3 Significant accounting policies

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

3.1 Non-derivative Financial Instruments

(a) *Initial recognition*

(i) *Recognition*

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

(ii) *Classification*

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) *Cash and cash equivalents*

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

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

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

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

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

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

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

(iv) *Other financial liabilities*

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

(c) *Impairment of financial assets*

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

No impairment loss is recognised on equity investments

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

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

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

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

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

Measurement of ECL

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

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

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

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

Inputs into ECL measurement

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

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

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

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

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

(d) _Offsetting financial instruments_

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

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

(e) _Derecognition_

(i) Financial assets

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

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

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

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

(ii) Financial liabilities

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

3.2 Property and equipment

(a) Recognition and measurement

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

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

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

(b) Depreciation

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

Class of Assets	**Rate**
Office equipment	25%
Furniture and fittings	25%
Computer equipment	33.33%
Motor vehicle	25%
Leasehold improvement	25%
Building	2%
Land	0%

(c) Derecognition

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

3.3 Intangible assets

Software

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

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

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

3.4 Interest income and expense

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

Interest income and expense presented in profit or loss include:

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

3.5 Other liabilities

The Company recognises and measures other liabilities at amortized cost.

3.6 Share capital

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

3.7 Earnings per share

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

3.8 Impairment of non-financial assets

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

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

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

3.9 Changes in accounting policies

The Company has initially adopted IFRS 16 (see A) from 1 January 2019.
A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

A IFRS 16- Leases

Definition of a lease

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

Policy Applicable from 1 January 2019

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

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

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

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

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

Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

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

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

3.10 Employee benefits/Personnel expenses

(a) Short-term benefits

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

(b) Post employment benefits

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

(c) Accounting for employee benefits/personnel expenses

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

3.11 Taxation

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

Current income tax

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

Deferred income tax

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

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

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

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

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

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

The principal temporary differences arise from depreciation on property and equipment and tax losses carried forward.
Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3.12 New standards and interpretations not yet adopted

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2020. Those Standards, Amendments to Standards, and Interpretations which are relevant to the Company) are set out below.

Based on management's assessment, these Standards have no significant impact the company's financial reporting.

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

Other standards

Other standards effective during the period which do not have an impact on the company include:

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

4 Financial risk management

(a) Credit risk

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

(i) Exposure to credit risk

In thousands of Naira	Note	**30 June 2020**	**31 December 2019**
Cash and cash equivalents	6	2,251,261	5,859,280
Placements with banks	7	2,677,136	1,494,950
Mortgage refinance loans	8	17,666,949	18,339,488
Investment securities	9	51,456,385	46,509,890
Other financial assets	12	46,771	56,099

Collateral

In thousands of Naira	**30 June 2020**	**31 December 2019**
Total loan exposure (gross)	17,666,949	18,339,488
Secured against real estate	17,666,949	17,024,218
Unsecured loan	-	-

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

(ii) Management of credit risk

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

• Formulating credit policies in consultation with the Company's credit and risk department, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

• Establishing the authorisation structure for the approval of refinance loans. Authorisation limits are allocated to the Management Credit Committee, the Board Credit Committee or the full Board of Directors, as appropriate.

• Reviewing and assessing all credit exposures in excess of designated limits (as prescribed by the Mortgage Refinance Company Regulatory framework), and limiting concentrations of exposure to counterparties.

(iii) Credit risk on mortgage refinance loans

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

• Under the arrangement, the participating mortgage bank is required to make agreed periodic minimum payments to the Company. These minimum payments need to be paid from proceeds that the participating mortgage banks receive on the refinanced portfolio from their clients and consist of the agreed interest between the Company and the participating mortgage banks and the (early) repayments the participating mortgage banks receive from their clients.

• If the proceeds from the clients of the participating mortgage bank on the refinanced portfolio are not sufficient to pay the agreed minimum payments, due to default or any other reason, the participating mortgage bank are required to pay the shortfall from their other available assets.

• In case the participating mortgage banks cannot or do not pay the agreed minimum payments, the Company is allowed to obtain the amounts due by, amongst others, executing the collateral as held by trustees or seize in another manner (cash) assets of the relevant participating mortgage bank.

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

(iv) Collateral held and other credit enhancements

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

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

(v) Credit qualtiy analysis

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

	30 June 2020				**31 December 2019**			
In thousands of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to commercial banks at amortized								
Low - fair risk	11,662,205	1,211,564	-	**12,873,769**	12,020,118	1,245,441	-	**13,265,559**
Higher risk	-	-	-	**-**	-	-	-	**-**
Substandard	-	-	-	**-**	-	-	-	**-**
Doubtful	-	-	-	**-**	-	-	-	**-**
Lost	-	-	-	**-**	-	-	-	**-**
	11,662,205	1,211,564	-	**12,873,769**	12,020,118	1,245,441	-	**13,265,559**
Loss allowance	(67,678)	(77,325)	-	**(145,003)**	(65,656)	(77,325)	-	**(142,981)**
Carrying amount	11,594,527	1,134,239	-	**12,728,766**	11,954,462	1,168,116	-	**13,122,578**

	30 June 2020				**31 December 2019**			
In thousands of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to mortgage banks at amortized								
Low - fair risk	4,880,802	-	-	**4,880,802**	5,374,672	-	-	5,374,672
Higher risk	-	-	-	**-**	**-**	-	**-**	-
Substandard	-	-	-	**-**	**-**	**-**	**-**	-
Doubtful	-	-	-	**-**	**-**	**-**	**-**	-
Lost	-	-	-	**-**	**-**	**-**	**-**	-
	4,880,802	-	-	**4,880,802**	4,294,135	-	-	5,374,672
Loss allowance	(157,765)	-	-	**(157,765)**	(157,765)	-	-	**(157,765)**
Carrying amount	**4,723,037**	**-**	**-**	**4,723,037**	**4,136,370**	**-**	**-**	**5,216,907**

	30 June 2020				**31 December 2019**			
In thousands of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at amortized								
Low - fair risk	49,956,669	-	-	**49,956,669**	42,644,284	-	-	**42,644,284**
Higher risk	-	-	-	**-**	-	-	-	**-**
Substandard	-	-	-	**-**	-	-	-	**-**
Doubtful	-	-	-	**-**	-	-	-	**-**
Lost	-	-	-	**-**	-	-	-	**-**
	49,956,669	-	-	**49,956,669**	42,644,284	-	-	**42,644,284**
Loss allowance	(14,144)	-	-	**(14,144)**	(14,144)	-	-	**(14,144)**
Carrying amount	**49,942,525**	**-**	**-**	**49,942,525**	**42,630,140**	**-**	**-**	**39,267,453**

	30 June 2020				**31 December 2019**			
In thousands of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at FVOCI								
Low - fair risk	4,176,852	-	-	**4,176,852**	5,360,556	-	-	6,641,971
Higher risk	-	-	-	**-**	-	-	-	**-**
Substandard	-	-	-	**-**	-	-	-	**-**
Doubtful	-	-	-	**-**	-	-	-	**-**
Lost	-	-	-	**-**	-	-	-	**-**
	4,176,852	**-**	**-**	**4,176,852**	**6,641,971**	**-**	**-**	**6,641,971**
Loss allowance	(3,200)	-	-	**(3,200)**	**(3,200)**	**-**	**-**	**(4,700)**
Carrying amount	**4,173,652**	**-**	**-**	**4,173,652**	**6,638,771**	**-**	**-**	**6,637,271**

	30 June 2020			31 December 2019		
In thousands of Naira	**Life time ECL not credit impaired**	**Credit impaired**	**Total**	**Life time ECL not credit impaired**	**Credit impaired**	**Total**
Other financial assets						
Low - fair risk	46,771	2,500	**49,271**	56,099	2,500	**58,599**
Higher risk	-	-	**-**	-	-	**-**
Credit impaired	-	-	**-**	-	-	**-**
	46,771	2,500	**49,271**	56,099	2,500	**58,599**
Loss allowance	-	-	**-**	-	-	**-**
Carrying amount	**46,771**	**2,500**	**49,271**	**56,099**	**2,500**	**58,599**

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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

Significant increase in credit risk (SICR)

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

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

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

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

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

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

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

- probationary period;

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

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

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

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

- qualitative indicators;

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

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

- a backstop of 30 days past due

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

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

Generating the term structure of PD

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

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

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

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

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

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

Incorporation of forward-looking information (FLI)

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

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

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

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

1. Identifies the relevant macroeconomic variables affecting the ECL.

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

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

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

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

	2020	**2019**
Inflation rate	Base 13%	Base 12%
	Range between 12.9 and 15.5%	Range between 13 and 15%
Exchange rate	Base N385/$1	Base N365/$1
	Range between N380 and N400	Range between N360 and N375
GDP growth	Base 1.5%	Base 2%
	Range between -0.9 and 2%	Range between 2 and 5%

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

Modified financial assets

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

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

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

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

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

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

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

In thousands of Naira	**30 June 2020**	**31 Dec 2019**
Financial assets modified during the year		
Amortized cost of loans and advances before modification	2,386,161	1,918,908
Net modification (gain)/loss	13,323	(9,645)

(b) Currency risk

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

(c) Market and liquidity risk

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

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

Interest rate risk

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

Interest rate profile

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

In thousands of Naira	Note	**30 June 2020**	**31 Dec 2019**
Financial assets			
Cash and cash equivalents	6	2,251,261	5,859,280
Placements with banks	7	2,677,136	1,494,950
Mortgage refinance loans	8	17,666,949	18,339,488
Investment securities	9	51,456,385	46,509,890
		74,051,731	72,203,608
Financial liabilities			
Debt securities issued	13(a)	16,992,774	17,264,522
Borrowings	13(b)	37,598,419	37,598,419
		54,591,193	54,862,940

Fair value sensitivity analysis for fixed rate instruments

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

In thousands of Naira	**30 June 2020**	**31 Dec 2019**
Increase in interest rate by 100 basis points (+1%)	194,605	173,407
Decrease in interest rate by 100 basis point (-1%)	(194,605)	(173,407)

Fair value sensitivity analysis for FVOCI financial assets

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

In thousands of Naira	**30 June 2020**	**31 Dec 2019**
Increase in interest rate by 100 basis points (+1%)	41,769	53,606
Decrease in interest rate by 100 basis point (-1%)	(41,769)	(53,606)

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

30 June 2020

In thousands of Naira	Note	**Carrying amount**	**Gross nominal inflow/(outflow)**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
Non-derivative assets								
Cash and cash equivalents	6	2,251,261	2,251,261	2,251,261	-	-	-	-
Placements with banks	7	2,677,136	1,551,606	-	1,551,606	-	-	-
Mortgage refinance loans	8	17,666,949	40,732,059	860,318	861,549	1,723,098	13,781,136	23,505,958
Investments securities	9	51,456,385	86,366,296	13,307,141	379,472	7,631,902	17,346,500	47,701,281
Other financial assets	12	46,771	46,771	46,771	-	-	-	-
Total financial assets		74,098,502	130,947,993	16,465,491	2,792,627	9,355,000	31,127,636	71,207,239
Non-derivative liabilities								
Debt securities	13(a)	16,992,774	37,732,970	771,912	771,912	1,543,823	12,350,587	22,294,735
Borrowings	13(b)	37,598,419	72,369,963	-	792,369	801,076	6,360,717	64,415,801
Other financial liabilities	14	152,239	152,239	152,239	-	-	-	-
Total financial liabilities		54,743,432	110,255,172	924,151	1,564,281	2,344,899	18,711,304	86,710,536
Gap -assets/(liabilities)		19,355,070	20,692,820	15,541,339	1,228,346	7,010,101	12,416,332	(15,503,297)
Cumulative liquidity gap		-	-	15,541,339	16,769,685	23,779,786	36,196,118	20,692,821

31 December 2019

In thousands of Naira	Note	**Carrying amount**	**Gross nominal inflow/(outflow)**	**Less than 3 months**	**6 months**	**12 months**	**5 years**	**More than 5 years**
Non-derivative assets								
Cash and cash equivalents	6	5,859,280	5,859,280	5,859,280	-	-	-	-
Placements with banks	7	1,494,950	1,551,606	-	1,551,606	-	-	-
Mortgage refinance loans	8	18,339,488	40,732,059	860,318	861,549	1,723,098	13,781,136	23,505,958
Investments securities	9	46,509,890	86,366,296	13,307,141	379,472	7,631,902	17,346,500	47,701,281
Other financial assets	12	56,099	56,099	56,099	-	-	-	-
Total risk asset		72,259,706	134,565,341	20,082,838	2,792,627	9,355,000	31,127,636	71,207,239
Non-derivative liabilities								
Debt securities	13(a)	17,264,522	37,732,970	771,912	771,912	1,543,823	12,350,587	22,294,735
Borrowings	13(b)	37,598,419	72,369,963	-	792,369	801,076	6,360,717	64,415,801
Other financial liabilities	14	285,595	285,595	285,595	-	-	-	-
Total risk liabilities		55,148,535	110,388,527	1,057,507	1,564,280	2,344,899	18,711,304	86,710,536
Gap -assets/(liabilities)		17,111,171	24,176,814	19,025,332	1,228,347	7,010,101	12,416,332	(15,503,298)
Cumulative liquidity gap		-	-	19,025,332	20,253,679	27,263,779	39,680,112	24,176,814

(d) Capital management

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

The Nigeria Mortgage Refinance Company's regulatory capital includes:

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

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

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

· 0% for cash and near cash equivalents and Federal Government securities

· 100% for all on-balance sheet exposures

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

Capital Adequacy Computation

In thousands of Naira			**30 June 2020**	**31 December 2019**
Tier 1 Capital				
Share capital			2,125,444	2,125,444
Share premium			5,925,232	5,925,232
Retained earnings			7,034,849	5,610,014
Statutory reserves			2,761,076	2,509,635
IFRS 9 transitional adjustment			-	-
Statutory credit risk reserve applied for IFRS 9 impact			-	-
Total qualifying Tier 1 capital			17,846,600	16,170,325
Less:				
Intangible assets			(17,196)	(22,535)
Adjusted total qualifying Tier 1 capital			**17,829,404**	**16,147,790**
Tier 2 Capital				
Subordinated term debt			16,992,774	17,264,522
Other Comprehensive Income			953,654	556,530
Total qualifying Tier 2 capital			17,946,428	17,821,052
Adjusted total qualifying Tier 2 capital (limited to 33.33% of total Tier 1 capital)			**5,943,135**	**5,382,597**
Investment in the capital of banking and financial institutions			(10,000)	(10,000)
Total Regulatory Capital	**-**	**-**	**23,762,539**	**21,520,386**

Risk weighted assets		
Risk-weighted amount for credit risk	19,282,556	22,351,047
Risk-weighted amount for operational risk	6,626,414	8,302,837
Risk-weighted amount for Market risk	-	-
Total weighted risk assets	**25,908,971**	**30,653,884**
Capital Adequacy Ratio (CAR)	**92%**	**70%**

The Company's capital adequacy ratio was 92% as at 30 June 2020 (31 December 2019: 70%) 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*

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

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

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

Key sources of estimation uncertainty

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

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

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

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

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

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

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

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

(ii) *Determining fair values*

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

(iii) *Valuation of financial instruments*

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

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

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

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

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

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

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

(v) *Income Taxes*

Significant estimates are required in determining the provision for income taxes. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
Income taxes also include the judgement on whether to recognise deferred tax assets. This is based on the assessment of if and when future taxable profits will be realized to utilise the tax losses carried forward.

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

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

5 Financial assets and liabilities

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

30 June 2020

In thousands of Naira	**Notes**	**Amortised cost**	**FVOCI - Debt instruments**	**FVOCI - Equity instruments**	**Mandatorily at FVTPL**	**Designated as FVTPL**	**Fair Value**	**Total carrying amount**
Cash and cash equivalents	6	2,251,261	-	-	-	-	2,251,261	2,251,261
Placements with banks	7	2,677,136	-	-	-	-	2,677,136	2,677,136
Mortgage refinance loans	8	17,666,949	-	-	-	-	17,666,949	17,666,949
Investment securities	9	47,279,533	4,176,852	-	-	-	51,456,385	51,456,385
Other financial assets	12	46,771	-	-	-	-	46,771	46,771
		69,921,650	4,176,852	-	-	-	74,098,502	74,098,502
Debt securities issued	13(a)	16,992,774	-	-	-	-	17,217,217	16,992,774
Borrowings	13(b)	37,598,419	-	-	-	-	37,598,419	37,598,419
Other financial liabilities	14	1,027,158	-	-	-	-	1,027,158	1,027,158
		55,618,351	-	-	-	-	55,842,794	55,618,351

31 December 2019

In thousands of Naira	**Notes**	**Amortised cost**	**FVOCI - Debt instruments**	**FVOCI - Equity instruments**	**Mandatorily at FVTPL**	**Designated as FVTPL**	**Fair Value**	**Total carrying amount**
Cash and cash equivalents	6	5,859,280	-	-	-	-	5,859,280	5,859,280
Placements with banks	7	1,494,950	-	-	-	-	1,494,950	1,494,950
Mortgage refinance loans	8	18,339,488	-	-	-	-	18,339,488	18,339,488
Investment securities	9	41,149,334	5,360,556	-	-	-	46,509,890	46,509,890
Other financial assets	12	56,099	-	-	-	-	56,099	56,099
		66,899,151	5,360,556	-	-	-	72,259,706	72,259,706
Debt securities issued	13(a)	17,264,522	-	-	-	-	17,217,217	17,264,522
Borrowings	13(b)	37,598,419	-	-	-	-	37,598,419	37,598,419
Other financial liabilities	14	855,053	-	-	-	-	855,053	855,053
		55,717,993	-	-	-	-	55,670,688	55,717,993

6 Cash and cash equivalents

In thousands of Naira	**30 June 2020**	**31 December 2019**
Balances with banks	340,561	134,690
Money market placements	1,910,700	5,724,590
Cash and cash equivalents	2,251,261	5,859,280

7 Placements with banks

In thousands of Naira	**30 June 2020**	**31 December 2019**
Placements with banks	2,631,850	1,498,303
Interest receivable on placements with banks	56,425	7,786
Impairment loss allowance (see note (a) below)	(11,139)	(11,139)
	2,677,136	1,494,950
Current	2,677,136	1,494,950
Non-current	-	-
	2,677,136	1,494,950

(a) **Impairment loss allowance**

In thousands of Naira	**30 June 2020**	**31 December 2019**
Balance, beginning of the period/year	11,139	3,789
Impairment during the period/year	-	7,350
Balance, end of the period/year	11,139	11,139

8 Mortgage refinance loans

In thousands of Naira	**30 June 2020**	**31 December 2019**
Loans and advances	17,969,717	18,640,234
IFRS 9 Impairment loss allowance (see note (a) below)	(302,768)	(300,746)
Loans and advances at amortized cost	17,666,949	18,339,488
Current	3,427,117	3,427,117
Non-current	14,239,832	14,912,370
	17,666,949	18,339,488

(a) Impairment loss allowance

In thousands of Naira	**30 June 2020**	**31 December 2019**
Balance, beginning of the period/year	300,746	173,628
Impairment adjusted through retained earnings on initial application of IFRS 9	-	-
Impairment/(Write back) during the period/year	2,022	127,118
Balance, end of the period/year	302,768	300,746

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

In thousands of Naira	**30 June 2020**	**31 December 2019**
Secured against real estate	17,969,717	18,640,234
Unsecured	-	-
Balance, end of the period/year	17,969,717	17,197,846

9 Investment securities

(a) Analysis of investments

In thousands of Naira	**30 June 2020**	**31 December 2019**
FVOCI investment securities:		
Federal Government of Nigeria Bonds	4,166,852	5,350,556
Treasury bills	-	-
Unquoted equity instrument	10,000	10,000
	4,176,852	5,360,556
Investment securities at amortised cost:		
Federal Government of Nigeria Bonds	41,769,899	29,740,078
Treasury bills	5,542,392	11,442,013
Impairment loss allowance (see note (i) below)	(32,757)	(32,757)
	47,279,533	41,149,334
	51,456,385	46,509,890

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

Current

In thousands of Naira	**30 June 2020**	**31 December 2019**
FVOCI securities	-	1,609,697
Investment securities at amortised cost	5,542,392	11,442,013
	5,542,392	13,051,710

Non-current

In thousands of Naira	**30 June 2020**	**31 December 2019**
FVOCI securities	4,176,852	3,750,859
Investment securities at amortised cost	41,737,142	29,707,321
	45,913,993	33,458,180
	51,456,385	46,509,890

(i) Impairment loss allowance

In thousands of Naira	**30 June 2020**	**31 December 2019**
Balance, beginning of the period/year	32,757	29,360
Impairment adjusted through retained earnings on initial application of IFRS 9	-	-
Impairment during the period/year	-	3,397
Balance, end of the period/year	32,757	32,757

(b) Movement in investment securities
The movement in investment securities for the Company may be summarised as follows:

	30 Jume 2020		
	FVOCI instruments	**Instruments at amortised cost**	**Total**
At 1 January, 2020	7,967,249	39,093,745	47,060,994
Impairment loss	-	-	-
Interest income	525,368	2,577,881	3,103,249
Interest received	(915,547)	(4,178,683)	(5,094,230)
Net (sale)/purchase of investment	(3,797,343)	9,153,132	5,355,789
Gains from changes in fair value recognised in other comprehensive income (see note 15(d))	397,124	-	397,124
	4,176,852	47,279,533	50,822,927

	31 December 2019		
	FVOCI instruments	**Instruments at amortised cost**	**Total**
At 1 January, 2019	6,651,971	38,381,469	45,033,440
Impairment loss	-	-	-
Interest income	463,133	2,672,247	3,135,380
Interest received	(822,541)	(5,492,769)	(6,315,310)
Net (sale)/purchase of investment	(1,859,360)	2,888,248	1,028,888
Gains from changes in fair value recognised in other comprehensive income (see note 15(d))	126,415	-	126,415
	4,559,618	38,449,195	43,008,813

10 Property and equipment

In thousands of Naira	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 2020	283,323	20,011	86,899	81,378	162,065	28,183	39,000	276,000	24,020	1,000,879
Additions		302.00	-	-		-	-	-	-	302
Disposals	(566)	-	-	-	-	-	-	-	-	(566)
Reclassifications	-	-	-	-	22,561	-	-	-	(22,561)	-
At 30 June 2020	282,756	20,313	86,899	81,378	184,626	28,183	39,000	276,000	1,459	1,000,615
At 1 January 2019	260,658	20,188	86,899	81,378	85,198	28,183	39,000	276,000	-	877,503
Additions	30,815	-	-	-	76,867	-	-	-	24,020	131,702
Disposals	(8,150)	(177)	-	-	-	-	-	-	-	(8,327)
Reclassifications	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	283,323	20,011	86,899	81,378	162,065	28,183	39,000	276,000	24,020	1,000,879
Depreciation										
At 1 January 2020	212,220	17,835	65,707	65,399	100,832	18,039	904	-	-	480,936
Charge for the period	24,572	911	7,923	6,277	13,579	2,876	389	-	-	56,526
Disposals	(543)	-	-	-	-	-	-	-	-	(543)
At 30 June 2020	236,249	18,746	73,630	71,676	114,411	20,915	1,293	-	-	536,920
At 1 January 2019	142,111	13,987	43,982	48,046	72,532	10,993	124	-	-	331,776
Charge for the year	75,167	3,958	21,725	17,353	28,299	7,046	780	-	-	154,327
Disposals	(5,059)	(110)	-	-	-	-	-	-	-	(5,169)
At 31 December 2019	212,220	17,835	65,707	65,399	100,832	18,039	904	-	-	480,935
Net book value										
At 30 June 2020	46,507	1,567	13,269	9,702	70,215	7,268	37,707	276,000	1,459	463,695
At 31 December 2019	71,103	2,176	21,193	15,979	61,233	10,144	38,096	276,000	24,020	519,944

(i) The Company had no capital commitments and no assets pledged as security for borrowings as at 30 June 2020 (31 December 2019: Nil)

(ii) There were no capitalized borrowing costs related to the acquisition of property and equipment during the period (31 December 2019:Nil)

11 Intangible assets

In thousands of Naira	**Computer Software**
Cost	
At 1 January 2020	86,082
Additions	-
At 30 June 2020	86,082
At 1 January 2019	86,082
Additions	-
At 31 December 2019	86,082
Amortization	
At 1 January 2020	63,547
Charge for the period	5,338
At 30 June 2020	68,886
At 1 January 2019	45,462
Charge for the year	18,085
At 31 December 2019	63,547
Net book value	
At 30 June 2020	17,196
At 31 December 2019	22,535

(i) The Company had no commitments relating to the acquisition of intangible assets as at 30 June 2020 (31 December 2019: Nil)

(ii) There were no capitalized borrowing costs related to the acquisition of intangible assets during the period (31 December 2019: Nil)

12 Other assets

In thousands of Naira	**30 June 2020**	**31 December 2019**
Non financial assets:		
Prepaid rent	11,000	22,000
Prepaid staff benefits	65,187	5,905
Other prepaid expenses	1,000	2,000
WHT Receivable	56,734	35,217
	133,921	65,122
Financial assets:		
Staff loans and advances	16,583	25,910
Deposit for Shares	26,746	26,746
Other receivables	5,943	5,943
	49,271	58,599
Impairment on other assets	(2,500)	(2,500)
	46,771	56,099
	180,692	121,220
Current	180,692	121,220
Non-current	-	-
	180,692	121,220

13 (a) Debt securities issued

In thousands of Naira	30 June 2020	31 December 2019
Fixed rate debt security issued at amortized cost (see note (i) below)	16,992,774	17,264,522
	16,992,774	17,264,522
Current	640,058	4,074,112
Non-current	16,352,715	13,190,410
	16,992,774	17,264,522

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

(ii) The debt securities issued by the Company are backed by the unconditional guarantee of the Federal Government of Nigeria. According to the agreement between both parties, an annual fee of 10% of the Company's profit after tax is payable to the Federal government of Nigeria in relation to this guarantee to support the development of the Nigerian housing market, expectedly in the form of a Housing Market Development Fund. This Housing Market Development Fund is not yet established and the exact manner how to support the development of the Nigerian housing market is still open to further agreement in writing between the Company and the Federal Ministry of Finance. The payable amount as at the reporting period amounted to N1.03 billion (31 December 2019: N858 million).

(b) Borrowings

In thousands of Naira	30 June 2020	31 December 2019
Borrowings from FGN (see note (i) below)	37,598,419	37,598,419
	37,598,419	37,598,419
Current	1,321,869	1,797,137
Non-current	36,276,550	35,801,282
	37,598,419	37,598,419

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

14 Other liabilities

In thousands of Naira	30 June 2020	31 December 2019
Non-financial liabilities		
Accrued professional fees	39,500	44,564
Withholding tax payable	-	-
Payable to Federal Government of Nigeria for Housing Market Development Fund (see note 13(a)(ii))	1,027,158	855,053
NHF payable	(0)	-
PAYE payable	7,079	-
NSITF Payable	-	13,696
ITF payable	-	-
	1,073,737	913,313
Financial liabilities		
Pension contribution payable	2,380	52
Performance bonus payable to employees	115,515	241,449
Other account payable	34,344	44,094
	152,239	285,595
	1,225,977	1,198,908
Current	1,225,977	1,198,908
Non- Current	-	-
	1,225,977	1,198,908

15 Capital and reserves

(a) Share capital and share premium

In thousands of Naira	30 June 2020	31 December 2019
(i) *Authorised:*		
8,500,000,000 ordinary shares of N1.00 each	8,500,000	8,500,000
(ii) *Issued and fully paid:*		
2,125,444,000 ordinary shares of N1.00 each	2,125,444	2,125,444

(iii) *Share premium*
Share Premium is the excess paid by shareholders over the nominal value of their shares.

In thousands of Naira	30 June 2020	31 December 2019
Balance, beginning of the period/year	5,925,232	5,925,232
Arising from new issue during the period/year	-	-
Balance, end of the period/year	5,925,232	5,925,232
Share capital and share premium	8,050,676	8,050,676

(b) Retained earnings

In thousands of Naira	30 June 2020	31 December 2019
Balance, beginning of period/year	5,610,014	3,497,095
Transfer from statement of comprehensive income	1,676,276	3,018,456
Transfer to statutory reserve	(251,441)	(905,537)
Bonus issue	-	-
Balance, end of the period/year	7,034,849	5,610,014

(c) Statutory reserve

In thousands of Naira	30 June 2020	31 December 2019
Balance, beginning of the period/ year	2,509,635	1,604,098
Transfer from retained earnings (see note (i) below)	251,441	905,537
Balance, end of the period/year	2,761,076	2,509,634

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

(d) Fair value reserves

In thousands of Naira	30 June 2020	31 December 2019
Balance, beginning of the period/ year	556,530	41,785
Fair value gain/(loss) for the period/year (see note (i) below)	397,124	511,545
Impairment loss	-	3,200
Balance, end of the period/year	953,654	556,530

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

16 Interest income

In thousands of Naira	3 months to 30 June 2020	3 months to 30 June 2019	6 months to 30 June 2020	6 months to 30 June 2019
Cash and cash equivalents	59,923	170,398	-	340,884
Placements with banks	-	-	150,560	99
Mortgage refinance loans	675,986	636,872	1,364,355	1,277,556
Treasury bills	185,756	541,837	460,379	1,050,627
Federal government of Nigeria bonds	1,380,542	1,052,459	2,642,870	2,084,753
	2,302,207	2,401,566	4,618,164	4,753,919

17 Interest expense

In thousands of Naira	3 months to 30 June 2020	3 months to 30 June 2019	6 months to 30 June 2020	6 months to 30 June 2019
Interest expense on borrowings	396,184	396,184	792,369	788,015
Interest expense on debt securities issued	632,805	652,221	1,272,580	1,301,664
	1,028,989	1,048,406	2,064,948	2,089,679

18 Other income

In thousands of Naira	3 months to 30 June 2020	3 months to 30 June 2019	6 months to 30 June 2020	6 months to 30 June 2019
Gain on asset disposal	-	-	385	-
Other income	56	6,851	112	6,885
	56	6,851	497	6,885

19 Personnel expenses

In thousands of Naira	3 months to 30 June 2020	3 months to 30 June 2019	6 months to 30 June 2020	6 months to 30 June 2019
Salaries and allowances	119,698	139,517	269,660	302,629
Defined contribution plan	3,807	3,427	15,316	13,975
Group Life Assurance	2,518	2,891	2,518	3,834
Other staff cost (See note (a) below)	40,534	65,682	85,617	111,529
	166,558	211,517	373,112	431,967

20 Other operating expenses

In thousands of Naira	3 months to 30 June 2020	3 months to 30 June 2019	6 months to 30 June 2020	6 months to 30 June 2019
Service charge/Legal fees	3,938	12,384	8,613	21,776
ITF Levy	(1,575)	1,896	(1,575)	2,310
NSITF	1,167	-	5,812	-
General admin expenses	8,744	10,256	18,629	23,496
Net loss on disposal of property and equipment	-	993	-	993
Audit fee	6,300	6,300	12,600	12,600
Custody fees	5,940	4,366	9,866	9,214
Rent	6,000	6,000	12,000	12,000
Bank charges	2,084	456	2,303	1,043
Utility and electricity	3,326	6,352	8,352	12,682
Advertisement	1,705	2,493	4,144	3,504
Insurance	3,304	2,107	6,069	8,978
IT cost	22,877	33,455	49,617	48,334
Professional fees (see note (a) below)	6,370	21,467	23,500	32,052
Stationery and printing	62	333	607	401
Recruitment expense	65	-	151	2,217
Entertainment	10	63	120	1,924
Subscription expenses	3,707	3,196	8,729	9,782
Annual general meeting expenses	3,065	6,432	7,565	10,932
Business and Product development expenses	-	-	2,083	13,100
Donations	5,000	-	5,000	-
Directors fees	8,750	8,750	17,500	17,500
Flight & transportation cost	177	14,776	11,353	25,856
Hotel accommodation expenses	-	89	5,764	3,053
Conferences	-	3,401	2,723	8,170
Other directors expenses	4,025	14,787	7,275	29,231
Staff welfare and training	2,949	11,569	20,093	24,548
Sponsorship	-	4,311	2,150	4,711
Contribution to Federal Government of Nigeria for Housing Market Development Fund (see note 13(a)(ii))	88,769	78,708	172,106	155,637
	186,758	254,936	423,151	496,044

21 Taxation

(a) Income tax expense

(i) Recognised in profit or loss

In thousands of Naira	3 months to 30 June 2020	3 months to 30 June 2019	6 months to 30 June 2020	6 months to 30 June 2019
Minimum tax	-	-	-	-
Information technology tax	8,904	85,046	17,288	92,825
Police trust fund levy	-	-	-	-
Total income tax expense	8,904	85,046	17,288	92,825

(b) Current tax liabilities

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

In thousands of Naira	30 June 2020	31 December 2019
Balance, beginning of the period/ year	78,603	93,858
Charge for the period/year	17,288	78,917
Tax paid	-	(94,172)
Balance, end of the period/year	95,891	78,603

22 Earnings per share (Basic and diluted)

(a) Basic earnings per share

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

Weighted average number of ordinary shares

In thousands of units of shares		Shares Outstanding	Period Covered	Weighted average number of shares
Number of Shares at the beginning of each period	15(a)	2,125,444	1.00	2,125,444
Number of Shares at the end of the period	15(a)	2,125,444	1.00	2,125,444
				1,676,276

Profit attributable to equity holders	3 months to 30 June 2020	3 months to 30 June 2019	6 months to 30 June 2020	6 months to 30 June 2019
Profit attributable to equity holders	883,092	761,982	1,676,276	1,559,489
Earnings per share (kobo)	42	36	79	73

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

23 Contravention of laws and regulations

The Company did not pay any penalties in respect of contraventions of the provisions Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars during the period ended 30 June 2020 (31 December 2019: Nil)

24 Contingent liabilities

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

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

25 Statement of prudential adjustments

(i) Loans and advances to customers

In thousands of Naira		**30 June 2020**	**31 December 2019**
ECL impairment allowance on mortgage refinance loans	8 (b)	302,768	300,746
Total impairment allowance on mortgage refinance loans (a)		302,768	300,746
Total impairment based on prudential guidelines (b)		178,027	170,209
Difference (c) = a - b		124,741	130,537

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

26 Statement of Cashflow workings

(a) Changes in Mortgage refinance loans

In thousands of Naira		**30 June 2020**	**30 June 2019**
Gross Mortgage refinance loans at the end of the period		17,969,717	17,293,216
Interest income		1,364,355	1,277,556
Interest received		(1,370,239)	(1,288,604)
Impairment (loss)/writeback		(2,022)	-
Gross Mortgage refinance loans at the beginning of the period		(17,197,846)	(17,024,922)
Gross movement in Mortgage refinance loans		(779,778)	(279,341)
Amount recognized in cash flow		(779,778)	(279,341)

(b) Net change in placements with banks

In thousands of Naira		**30 June 2020**	**30 June 2019**
Placements at the beginning of the period	7	1,494,950	919,133
Interest income		150,560	99
Impairment charge		-	-
Placements at the end of period	7	2,677,136	1,494,950
Cash (outflow)/inflow		(1,031,626)	(575,718)

(c) Changes in other assets

In thousands of Naira		**30 June 2020**	**30 June 2019**
Balance at the end of the period	12	180,692	152,262
Impairment of receivables	12	-	-
Balance at the beginning of the period	12	(121,220)	(142,433)
Net cash received on other assets		59,472	9,829

(d) Changes in other liabilities

In thousands of Naira		**30 June 2020**	**30 June 2019**
Balance at the end of the period	14	1,225,977	810,592
Balance at the beginning of the period	14	(1,198,908)	(662,702)
Net cash paid on other liabilities		27,068	93,255

(e) Interest received

In thousands of Naira		**30 June 2020**	**30 June 2019**
Total interest receivable in prior period		1,725,458	1,673,338
Interest income in current period	16	4,618,164	4,753,919
		6,343,622	6,427,257
Total interest receivable in current period		(12,808,090)	(35,249,364)
Interest received		(6,464,469)	5,797,538

(f) Repayment of borrowings and debt securities

In thousands of Naira	30 June 2020	30 June 2019
Total payable in prior period		
- Debt securities	17,264,522	17,743,249
- Borrowings	37,598,419	37,598,419
Interest paid in current period	(2,053,444)	(4,157,721)
Principal repaid in current period	(142,343)	(519,017)
Interest expense in current period	2,064,948	4,198,011
	54,732,102	54,862,941
Total payable in current period		
- Debt securities	(16,992,774)	(17,264,522)
- Borrowings	(37,598,419)	(37,598,419)
Amount (received)/paid	-	-
Principal repaid		
- Debt securities	(142,343)	(519,017)
- Borrowings	-	-
Total principal repaid	(142,343)	(357,172)
Interest paid		
- Debt securities	(1,261,076)	(1,291,246)
- Borrowings	(792,369)	(788,045)
Total interest paid	(2,053,444)	(2,079,291)

(g) Profit/(Loss) on disposal of property and equipment

In thousands of Naira		30 June 2020	30 June 2019
Cost	10	566	8,327
Accumulated depreciation	10	(543)	(5,169)
NBV		23	3,158
Sales proceed		20	609
Losson disposal		(3)	(2,549)

27 Events after the reporting date

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