NIGERIA HOUSING FINANCE PROGRAMME
(CENTRAL BANK OF NIGERIA)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2018

AUDITED BY

OFFICE OF THE AUDITOR-GENERAL FOR THE FEDERATION
Plot 273, Samuel Ademulegun Street,
Central Business District,
Abuja.
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BACKGROUND
The Nigeria Housing Finance Program (NHFP) is an initiative of the Federal Government of Nigeria, Central Bank of Nigeria (CBN) and the World Bank. The Program was funded by the International Development Association (IDA) loan of USD 300 million. The CBN is the Project Implementing Agency (PIE), with the Project Administration Team (PAT) domiciled in the Other Financial Institutions Supervision Department (OFISD) of CBN. The Program spanned over five (5) years between 2013 to 2018. The agreement for the loan was signed on 18th December 2013, but the effective date of commencement was March 5, 2014. The Project come to a close on December 31, 2018.

OBJECTIVES
The broad objective of the Housing Finance Program was to improve housing finance/mortgage industry in Nigeria. The specific objectives are:

i. Establishment of a secondary mortgage Company, the Nigeria Mortgage Refinance Company (NMRC).

ii. Provision of a Mortgage Guarantee Product

iii. Development of Housing Microfinance (HMF), and

iv. Provision of Technical Assistance (TA) to facilitate the implementation of the three objectives mentioned above and build capacity in the industry.

PROGRAM COMPONENTS
The Program has four components, namely:

1. **Nigeria Mortgage Refinance Company** – supporting the establishment and operation of Nigeria Mortgage Refinance Company through the provision of capital to support her or refinancing of mortgage loans of participating Mortgage lenders through a line of credit.

2. **Mortgage Guarantee Product** – supporting the Mortgage Guarantee scheme to facilitate the issuance of Mortgage Guarantee Products to eligible lenders, through the provision of a line of credit to the Project Implementing Entity on account of the Mortgage Guarantee Agent.

3. **Housing Microfinance** – provision of housing microfinance loans to Housing Microfinance Providers to help strengthen their institutional and financial capacities for testing and providing housing microfinance products and services.

4. **Technical Assistance and Capacity Building** – carrying out of a technical assistance and capacity building program designed to support mortgage markets in the Federal Republic of Nigeria. This comprises of activities such as
Capacity building support on housing mortgage, including training on underwriting, collateral valuation, mortgage risk management, housing finance policy and delinquent loans management.

Collection, collation, and dissemination of housing market information, including development of a house price index system and mortgage market database;

NRCM support through the provision of technical assistance on bond issuance, etc.

The amount allocated to each of the program component and actual disbursement is presented in table 1.

Table 1
NHFP Fund Allocation and Actual disbursement as at 31st December, 2018

<table>
<thead>
<tr>
<th>PROGRAM COMPONENT</th>
<th>ALLOCATION 05/03/2014</th>
<th>DISBURSEMENT 31/12/2018</th>
<th>PERCENTAGE DISBURSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria Mortgage Refinance Company</td>
<td>250</td>
<td>168.0</td>
<td>67.2</td>
</tr>
<tr>
<td>Mortgage Guarantee Product</td>
<td>25</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Housing Microfinance</td>
<td>15</td>
<td>1.8</td>
<td>12</td>
</tr>
<tr>
<td>Technical Assistance &amp; Capacity Building</td>
<td>10</td>
<td>2.0</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
<td>171.8</td>
<td>57.3</td>
</tr>
</tbody>
</table>

Source: OAU GF NHFP Audit 2019

(Note that $7.5 was initially disbursed under HMF but $5.7 million was refunded to the World Bank.)

At the close of Program by December 31, 2018, the total disbursement was US$171.8 million, representing 57.3% of the loan. While $168 million was disbursed out of the US$250 million for Establishment of NMRC, there was no disbursement for Mortgage Guarantee product. The disbursement for Housing Microfinance was 12% in the sum of $1.8 million out of the $15 million allotted. Technical but immaterial objections were raised by the World Bank to refuse the issuance of no objection for the disbursement of the balance. A total of $2 million was disbursed out of the $10 allotted for Technical Assistance and Capacity building. The graphical representation of the disbursement is presented in chart 1.
The actual disbursement in Naira to the seven (7) Microfinance Banks is presented in Table 2 below and chart 2.

**Table 2**

Schedule of Loan Offer and Actual Disbursement to MFBs By NHFP as at 31/12/2018

<table>
<thead>
<tr>
<th>S/N</th>
<th>NAME OF MFB</th>
<th>LOAN OFFERED BY NHFP/CBN</th>
<th>AMOUNT DISBURSED TO MFBs</th>
<th>%</th>
<th>UNDISBURSED AMOUNT</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Baobab Microfinance Bank</td>
<td>458,700,000</td>
<td>68,805,000</td>
<td>15</td>
<td>390,200,000</td>
<td>85</td>
</tr>
<tr>
<td>2</td>
<td>Hassal Microfinance Bank</td>
<td>458,700,000</td>
<td>68,805,000</td>
<td>15</td>
<td>389,895,000</td>
<td>85</td>
</tr>
<tr>
<td>3</td>
<td>NPF Microfinance Bank Plc</td>
<td>611,600,000</td>
<td>91,740,000</td>
<td>15</td>
<td>519,860,000</td>
<td>85</td>
</tr>
<tr>
<td>4</td>
<td>Accion MFB</td>
<td>611,600,000</td>
<td>73,392,000</td>
<td>12</td>
<td>538,208,000</td>
<td>88</td>
</tr>
<tr>
<td>5</td>
<td>AB Microfinance Bank</td>
<td>611,600,000</td>
<td>91,740,000</td>
<td>15</td>
<td>519,860,000</td>
<td>85</td>
</tr>
<tr>
<td>6</td>
<td>LAPO Microfinance Bank</td>
<td>764,500,000</td>
<td>91,740,000</td>
<td>12</td>
<td>672,760,000</td>
<td>88</td>
</tr>
<tr>
<td>7</td>
<td>Umuchinemere Microfinance Bank</td>
<td>458,700,000</td>
<td>68,805,000</td>
<td>15</td>
<td>389,895,000</td>
<td>85</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3,975,400,000</td>
<td>550,027,000</td>
<td>14</td>
<td>3,425,373,000</td>
<td>86</td>
</tr>
</tbody>
</table>
Chart 2: Loan Offered by NHFP to MFBs and Actual Disbursement as at 31/12/2018

NHFP LOAN DISBURSED TO MFBs

- Umuchinemere Microfinance Bank
- LAPO Microfinance Bank
- AB Microfinance Bank
- Accion MFB
- NPF Microfinance Bank Plc
- Hassal Microfinance Bank
- Baobab Microfinance Bank

Key:
- Grey: Loan approved
- Dark grey: Loan disbursed

Source: OAUf NHFP Audit 2019
NIGERIA HOUSING FINANCE PROGRAMME (NHFP)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

PRINCIPAL OFFICERS OF THE PROGRAM

Adedeji Adesemoye Project Coordinator/Head Project Admin Team (PAT)
Jackson Imandi Project Accountant
Lawali Bello Assistant Project Accountant
Badung Gyang Admin/Procurement Officer
Paul Ojeifo Team member
Oriat Lawal (Mrs) Team Member

All the Principal Officers held offices up to 31st December 2018.

PROJECT HEAD OFFICE.
4th Floor, Wing A, CBN Building
Other Financial Institutions Supervision Department (OFISD)
Central Bank of Nigeria,
Central Business District, Abuja.

FINANCIER
The World Bank,
International Development Association (IDA)
Washington DC 20433, USA

PROJECT IMPLEMENTING AGENCY
Central Bank of Nigeria (CBN)

BANKERS
1. Central Bank of Nigeria, Central Business District,
   Abuja – Nigeria.
2. JPMorgan Chase Bank, Northeast Market,
   P.O. Box 182051, Columbus OH 43218-2051

AUDITORS
Office of the Auditor-General for the Federation
Plot 273, Samuel Ademulegun Street, Central Business District, Abuja.
website: www.oaugf.ng
e-mail: info@oaugf.ng
The National Project Coordinator,
Nigeria Housing Finance Development Programme
Other Financial Institutions Supervision Department,
Central Bank of Nigeria,
Central Area,
Abuja.

AUDIT OF THE NIGERIA HOUSING FINANCE DEVELOPMENT PROGRAMME (NHFDP)
PERFORMED BY THE AUDITOR GENERAL FOR THE FEDERATION

AUDITOR'S REPORT

Opinion

I have audited the financial statements of Nigeria Housing Finance Development Programme (NHFDP) for the year ended 31st December, 2018. These financial statements comprise the Statement of Financial Position, Statement of Financial performance, Cashflow Statement and Statement of Net Assets/Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 31st December, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements Section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidences obtained are sufficient and appropriate to provide a basis for my opinion.
Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with Financial Audit Methodology (FAM), which is consistent with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit
evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be brought to bear on my independence, and where applicable, related safeguards.

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

A. M. AYINE, FCA
Auditor-General for the Federation
June 17, 2019
<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 NGN</th>
<th>2017 NGN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>262,177.29</td>
<td>61,990.00</td>
</tr>
<tr>
<td>Expenditure</td>
<td>405,231,918.03</td>
<td>285,926,410.00</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>(404,969,740.75)</td>
<td>(285,864,420.00)</td>
</tr>
</tbody>
</table>
NIGERIA HOUSING FINANCE PROGRAM
STATEMENT OF FINANCIAL POSITION AS AT YEAR ENDED 31ST DECEMBER 2018

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 NGN</th>
<th>2017 NGN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>5</td>
<td>1,951,409,456.38</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan to NMRC</td>
<td>6</td>
<td>37,390,372,660.23</td>
</tr>
<tr>
<td>Loans to MFBs</td>
<td>7</td>
<td>555,027,000.00</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan from World Bank</td>
<td>8</td>
<td>40,453,913,917.01</td>
</tr>
<tr>
<td>Foreign Exchange Difference</td>
<td>9</td>
<td>267,154,587.56</td>
</tr>
<tr>
<td>Accumulated Expenditure</td>
<td>10</td>
<td>(824,259,387.96)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adedeji J. Adesemoye (Project Coordinator)

Jackson Imandi (Project Accountant)

The Notes to the financial statement on pages 16-19 form integral part of these financial statements

NIGERIA HOUSING FINANCE PROGRAM ACCOUNTS 2018

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### Statement of Changes in Net Assets as at 31st December, 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>IDA Credit N'000</th>
<th>Surplus/Deficit N'000</th>
<th>Exchange Difference N'000</th>
<th>Total N'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1st January</td>
<td>25,633,006.82</td>
<td>(418,116.55)</td>
<td>252,631.66</td>
<td>25,452,247.92</td>
</tr>
<tr>
<td>*Adjustment for NMRC loan recognition</td>
<td>(165,399.85)</td>
<td></td>
<td>(165,399.85)</td>
<td></td>
</tr>
<tr>
<td>Additions during the year</td>
<td>14,986,306.95</td>
<td>(404,969.74)</td>
<td>14,522.93</td>
<td>14,595,860.14</td>
</tr>
<tr>
<td>As at 31st December</td>
<td>40,453,913.92</td>
<td>(823,086.29)</td>
<td>267,154.59</td>
<td>39,897,982.21</td>
</tr>
</tbody>
</table>

*Adjustment for NMRC loan that was recognised at offer rate against the central rate used by CBN in disbursing the loan to the Institution.
NIGERIA HOUSING FINANCE PROGRAMME (NHFP)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2018

<table>
<thead>
<tr>
<th>Cash Flow From Operating Activities</th>
<th>2018 N</th>
<th>2017 N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Assistance top up</td>
<td>285,908,761.20</td>
<td>2,396,104,348.15</td>
</tr>
<tr>
<td>Deficit for the year</td>
<td>(405,763,369.73)</td>
<td>(270,590,419.25)</td>
</tr>
<tr>
<td>Add refunds made</td>
<td>10,657,282.87</td>
<td>6,557,559.05</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>1,065,592.14</td>
<td>(12,814,831.20)</td>
</tr>
<tr>
<td>Interest received</td>
<td>261,321.62</td>
<td></td>
</tr>
</tbody>
</table>

Net cash Flow from operating activities                           | (107,870,411.90) | 2,119,256,656.75 |

Cash Flow From Investing Activities
Property Plant and Equipment

Cash Flow From Financing Activities

Net cash changes for the year                                      | (107,870,411.90) | 2,119,256,656.75 |
Cash and cash equivalent at the beginning of the year             | 2,612,241,165.46  | 492,984,507.86   |
Cash and cash equivalent at the end of the year                    | 1,951,409,260.75  | 2,612,241,164.61 |

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1. **Statement of Compliance with IPSAS**
   The Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) cash basis, except that the Statement of Budget and Actual Performance of the Project was excluded because it has not been made publicly available as required by IPSAS 24. Secondly, the Project Operating Manual paragraph 107 provides that IDA funds should be accounted for on cash basis.

2. **Statement of Accounting Policies**
   The following is the summary of the significant accounting policies adopted in the preparation of the Project’s Financial Statements:

   a) **Basis of Preparation**
      The financial Statements have been prepared under the historical cost convention and in accordance with the cash basis of International Public Sector Accounting Standards (IPSAS).

   b) **Principal Activities**
      The project which does not have profit motive was principally engaged in the following activities:

      i) Supporting the Establishment and operation of Nigeria Mortgage Refinance Company

      ii) Provision of housing microfinance loans to microfinance Banks. To help strengthen their institutional and financial capacities for testing and providing housing microfinance products and services.

      iii) Carrying out of technical assistance and capacity building activities to support the mortgage markets.

   c) **Funds**
      All contributions by the Financier are only recognized when they become received and capitalized as IDA Credit/Fund. These funds are subsequently increased or reduced by surplus or deficit from the Statement of Financial Performance.
d) Recognition of Revenue & Expenditure

Revenue is recognised when cash is received, and expenditure recognised when payment is made in line with IPSAS cash basis of accounting.

e) Non-Current Assets

I. The Project has two investment projects, namely
   i) Loans to NMRC which has a fixed interest of 0.75% and interest is paid into CBN since it is the obligor of the Loan.
   ii) Loans to Microfinance Banks have five years tenor and interest and repayment are made into CBN’s account.

II. Depreciation
Depreciation is not provided on the investment Projects as they would be repaid over time.

III. Non-current assets will be transferred to the Implementing Agencies – Central Bank of Nigeria at the end of the Project’s life.

f) Reporting/Foreign Currency

The Financial Statements were prepared using the Nigeria Naira as the Reporting currency. Transactions in foreign currency were translated at the rate of exchange ruling at the transaction date while all foreign accounts balances were translated at the rate of exchange at the reporting dates. Exchange difference arising from the translation was recognised as either addition or reduction to the existing one. At the end of the Project’s life, balance, if any, shall be written off to the statement of financial performance.

g) Deferred Taxation

No provision was made for deferred taxation because the Project is exempted from payment of Income tax by law.
3 Revenue
This is the interest received on the JP Morgan’s Account
Total amount was US$855,67 x N306.4 = 262,177.29

Interest on Loans to MFBs are yet to be received.
So far, the sum of N1.160 billion was paid to the CBN account number 4041060 by NMRC.
Interests received by the CBN were accounted for in CBN’s books.

4 Expenditure 2018
Add: Expenditure for 2018
Training 50,018,115.20
Consultancy 293,095,685.88
Advocacy 45,955,501.95
Operations 16,162,615.00
Charges in respect of HMF disbursement 910,919.92

5 Cash & Cash Equivalents
JP Morgan Chase 1,951,349,274.83
CBN Naira Account 60,181.55

6 Loan to NMRC
1st Tranche- Naira Equivalent of $20,000,000 3,094,600,000.00
2nd Tranche- Naira Equivalent of $100,000,000 19,595,000,000.00
3rd Tranche- Naira Equivalent of $48,136,125 14,700,772,660.23

Total 37,390,372,660.23
7 Loans to MFBs
AB Microfinance Bank 91,740,000
Accion Microfinance Bank 73,392,000
Baobab Microfinance Bank 68,805,000
Hasal Microfinance Bank 68,805,000
LAPO Microfinance Bank 91,740,000
NPF Microfinance Bank 91,740,000
Umuchinemere Microfinance Bank 68,805,000

7 Loans to MFBs

555,027,000.00

8 Long-term borrowings
Initial draw-down - Technical Assistance 315,500,000.00
1st Tranche Loan to NMRC 3,094,600,000.00
Replenishment - Technical Assistance 26,709,260.00
2nd Tranche Loan to NMRC 19,595,000,000.00
Replenishment - Technical Assistance 45,970,154.93
Replenishment - Technical Assistance 102,327,551.85
Housing Microfinance 2,287,500,000.00
3rd Tranche Loan to NMRC 14,700,772,660.23
Replenishment - Technical Assistance 285,534,290.00

8 Long-term borrowings

40,453,913,917.01

9 Foreign Exchange Difference
Balance b/d 2017 252,631,660.62
Gain/Loss for 2018 14,522,926.94

9 Foreign Exchange Difference

267,154,587.56

10 Accumulated Expenditure
Balance b/d 2017 418,116,550.00
Add: Expenditure for 2018 406,142,837.96
Total 824,259,387.96