KMRC
KENYA MORTGAGE REFINANCE COMPANY

ANNUAL INTEGRATED **REPORT AND FINANCIAL STATEMENTS** 2024

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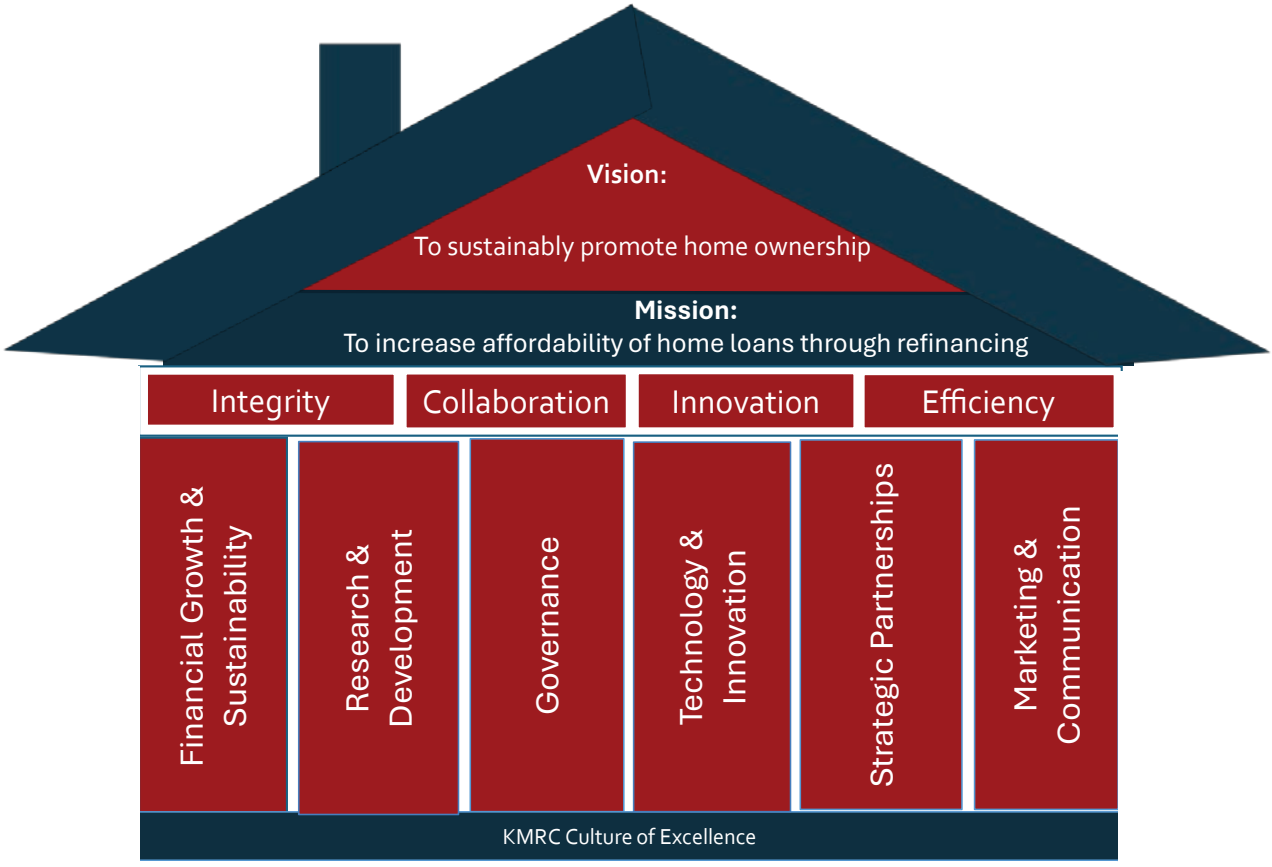
LIST OF ABBREVIATIONS

AfDB	-	Africa Development Bank
CBK	-	Central Bank of Kenya
CMA	-	Capital Markets Authority
CSR	-	Corporate Social Responsibility
DFIs	-	Development Finance Institutions
E&S	-	Environmental & Social
ESG	-	Environmental Social and Governance
ESRM	-	Environmental and Social Risk Management
GHG	-	Greenhouse Gas
IASB	-	International Accounting Standards Board
ICT	-	Information Communication and Technology
IFRS	-	International Financial Reporting Standards
KAHC	-	Kenya Affordable Housing Conference
KMRC	-	Kenya Mortgage Refinance Company
KMGT	-	Kenya Mortgage Guarantee Trust
LLP	-	Limited Liability Partners
LTV	-	Loan to Value
MFBs	-	Micro Finance Banks
MPC	-	Monetary Policy Committee
PML	-	Primary Mortgage Lender
RMF	-	Risk Management Framework
RSF	-	Risk Sharing Facility
SDGs	-	Sustainable Development Goals
WB	-	World Bank

KMRC STRATEGY (2024 - 2029) AT A GLANCE



ABOUT US

Kenya Mortgage Refinance Company PLC (KMRC) is a non-deposit taking financial institution established in 2018 under the Companies Act 2015. It is set up under a public private partnership (PPP) model with strong and diverse shareholding that includes the Government of Kenya represented by the National Treasury holding 25% ownership, and a mix of private sector players owning the remaining 75%. KMRC is regulated by the Central Bank of Kenya (CBK), with the Capital Markets Authority (CMA) providing oversight over its bond issuance operations.

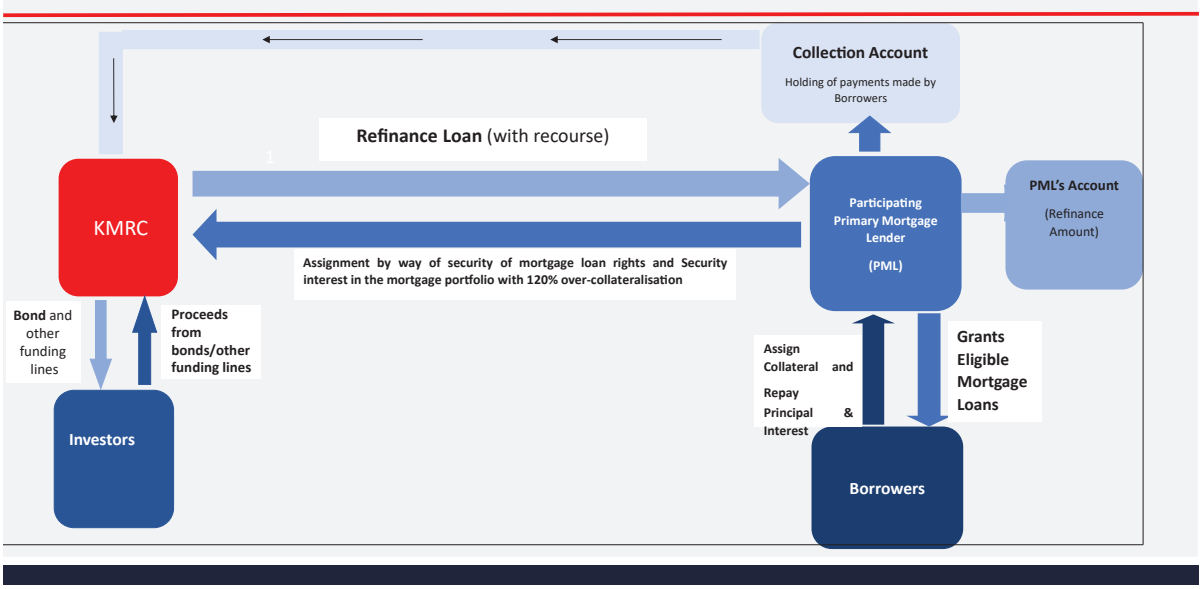
KMRC's mandate is to provide long-term funds to primary mortgage lenders (Banks and SACCOs) for purposes of increasing availability of affordable home loans to Kenyans. As a wholesale financial institution, KMRC has a developmental role which includes contributing to the growth of Kenya's capital markets through issuance of corporate bonds as a source of sustainable long-term finance, supporting standardization of mortgage origination practices and generally contributing to the growth of the mortgage market in Kenya.

KMRC is a key driver in increasing homeownership to Kenyans by facilitating long-term, fixed-rate and single-digit home loans through the participating Primary Mortgage Lenders (PMLs). KMRC augments the Government's commitment to turning the housing challenge into an economic opportunity.

Our Business Model

The company extends credit to its participating PMLs secured by mortgage loan portfolios that meet the KMRC eligibility criteria. The Company does not acquire or hold mortgage loans in its books; neither does it assume any direct credit risk on mortgage loans offered as collateral. The PMLs assign their interests in the mortgage portfolio in favour of KMRC but the pledged loans remain on the PMLs' balance sheet. If a loan pledged to KMRC becomes non-performing, the PML is required to replace it with a performing loan.

Refinancing Process



"I didn't imagine that at my age I could own a home, but it is so easy right now that we have the KMRC mortgage. You just need a good partnership with a SACCO or bank that you can work with, and everything will go easy."

Njeri Mbugua - Home Owner

CORPORATE INFORMATION

Country of Incorporation

Kenya

Principal Place of Business

27th Floor, Old Mutual Tower, Upperhill Road, Upperhill,
P.O. Box 15494 – 00100 Nairobi, Kenya

Registered Office

27th Floor, Old Mutual Tower, Upperhill Road, Upperhill,
P.O. Box 15494 – 00100 Nairobi

Company Secretary

Elisha Nyikuli (Resigned December 18, 2024)
27th Floor, Old Mutual Tower, Upperhill Road, Upperhill,
P.O. Box 15494 – 00100 Nairobi, Kenya.

Principal Bankers

- Co-operative Bank of Kenya Ltd
  Moi Avenue
  P.O. Box 48231 - 00100
  Nairobi, Kenya
- KCB Bank Kenya Ltd
  Moi Avenue,
  P.O. Box 48400 - 00100
  Nairobi, Kenya
- NCBA Bank Kenya PLC
  NCBA Centre,
  P.O. Box 44599 - 00100
  Nairobi, Kenya
- Absa Bank Kenya PLC
  Absa Towers, Loita St.
  P.O. Box 46661 - 00100
  Nairobi, Kenya

Independent Auditor

Grant Thornton LLP
Certified Public Accountant (Kenya)
5th Floor, Avocado Towers | Muthithi Road, Westlands
P.O. Box 46986 - 00100 | Nairobi, Kenya

ABOUT THE REPORT AND FINANCIAL STATEMENTS 2024

KMRC is pleased to present its Annual Integrated Report, which covers the period between 1st January 2024 to 31st December 2024. This report contains comprehensive information about our financial performance, stakeholders, governance, our sustainability journey, and other material issues relating to the execution of our Strategic Plan 2024-2029.

Scope and Purpose

The KMRC Integrated Report and Financial Statements is our principal statutory and regulatory reporting disclosure for the financial year ended 31st December 2024. It covers the primary activities of the Company across all our business operations and gives a comprehensive review of our financial and non-financial metrics. The report highlights how the company executed the strategy, entrenched sustainability, created shared value and governed the business.

The goal of this report is to provide our stakeholders with a complete and integrated view of the Company's operations. It also provides vital information to present and future investors to enable them to make informed decisions. It demonstrates the company's commitment to accountability and aims to strengthen the trust stakeholders have bestowed upon the company. Forward-looking statements are not a guarantee of future financial or operating results as they involve assumptions of future conditions in the operating environment, some of which are not within the Company's control.

Framework

This report was developed in accordance with the best international practices, reporting guidelines and prudent accounting standards. It complies with the Kenya Companies Act of 2015, the Capital Markets Authority (CMA)'s rules, and the Central Bank of Kenya (CBK)'s regulatory requirements. The Company's financial statements were prepared in accordance with the IFRS accounting standards and in the manner required by the Kenyan Companies Act, 2015. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). The company continuously strives to incorporate additional frameworks and metrics in its reporting to improve transparency and meet the diverse information needs of stakeholders. For additional, feedback or questions on the report write to communications@kmrc.co.ke

Process and Assurance

The Integrated Report process started with a wide-scale review of all key developments in executing our strategy across the business in 2024 to inform reporting. Content development involved submissions from within the company. Thereafter, the company adopts an integrated approach to messaging to present a unified and all-rounded view of the Company's input, processes, outputs, and outcomes. A series of rigorous internal reviews support the accuracy of the disclosures contained herein. The company's independent auditors, Grant Thornton LLP, audited the Company's annual financial statements providing external assurance through their opinion on our financial statements as expressed within this report.

OVERVIEW

Our Milestones

KES 13.9B
Cumulative Total Loan disbursed to PMLs by end of FY 2024
01

47%
KMRC's Refinancing to women home owners
02

15,420
Number of households impacted through FY 2024 refinancing
03

KES 32B
Total assets as of December 2024
04

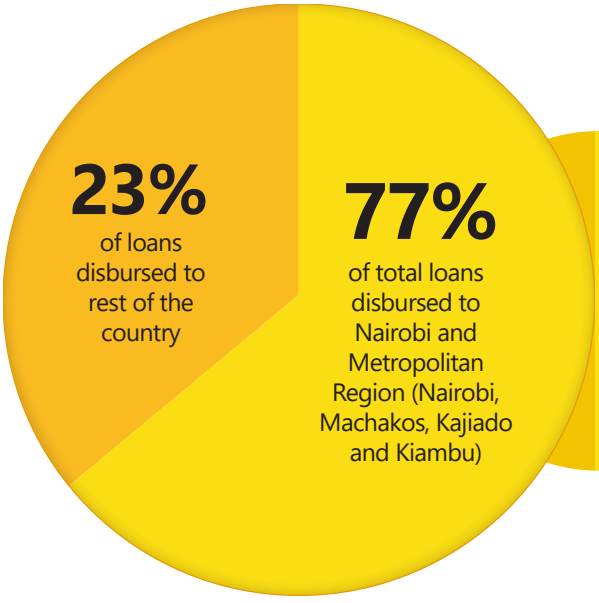
KES 2.9B
Revenue Reserves by the end of FY 2024
05

36
Counties Penetration/Uptake of KMRC's Home Loans as at December 2024
06

3,855
Number of refinanced Mortgages as of December 2024
07

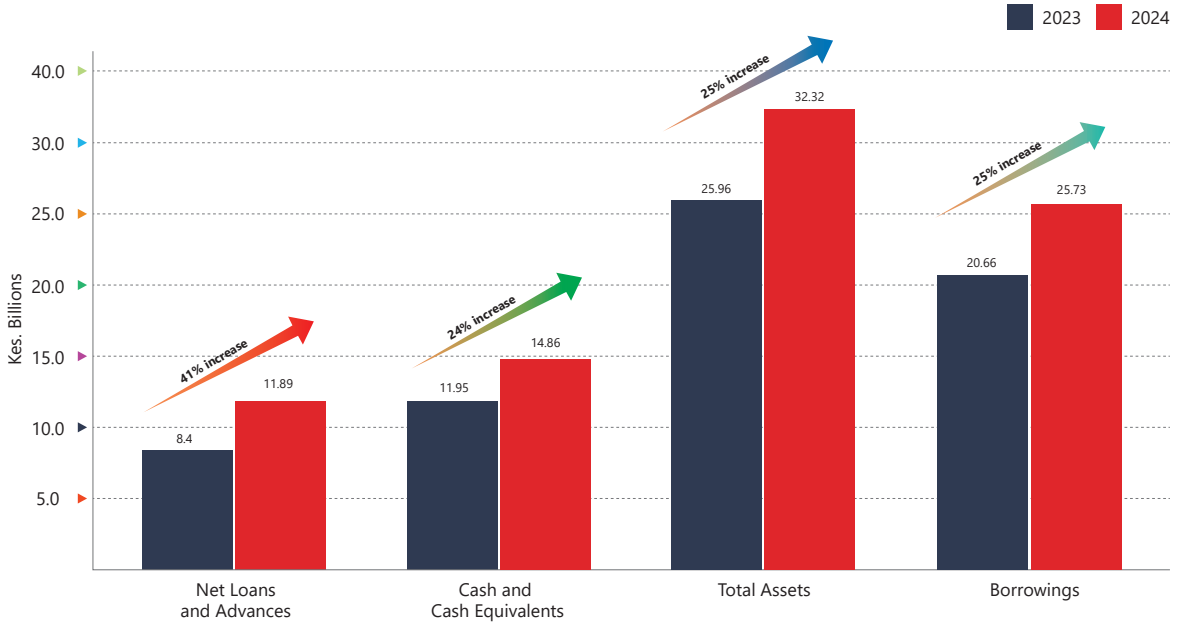
Market Developments Initiated operationalization of the Risk Sharing Facility (RSF) through the Kenya Mortgage Guarantee Trust (KMGT
08

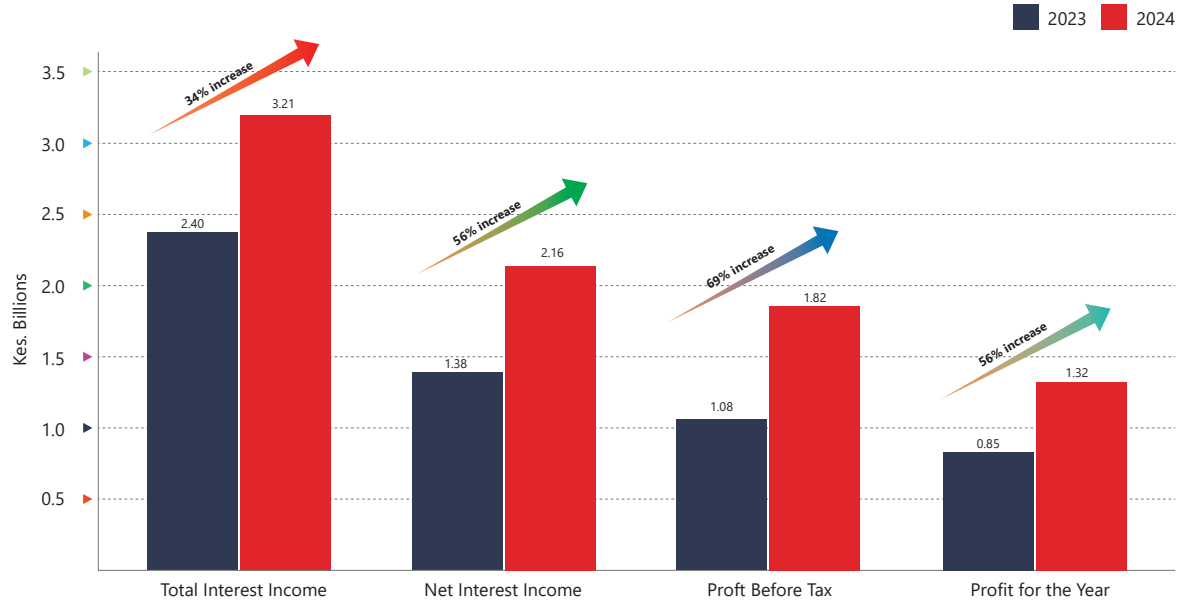
KMRC's Affordable Loan Distribution



Our Integrated Report process started with a wide-scale review of all key developments in executing our strategy across our business in 2024 to inform reporting.

FINANCIAL PERFORMANCE





OUR SHAREHOLDERS

Description	Name	Percentage
Government of Kenya	National Treasury	25.33%
Commercial Banks	• KCB Group • Cooperative Bank • DTB • HF Group • NCBA • Absa Bank Kenya • Stanbic • Credit Bank	43.78%
SACCOS	• Kenya Police • Mwalimu National • Qona • Apstar • Bingwa • Imarisha • Unaitas • Imarika • Tower • Stima • Harambee	7.47%
Micro Finance Bank	Kenya Women Microfinance Bank (KWFT)	0.6%
Multilateral Development Partner	International Finance Corporation (IFC)	11.82%
Pan African Housing Finance Institution	Shelter Afrique Development Bank	11.06%

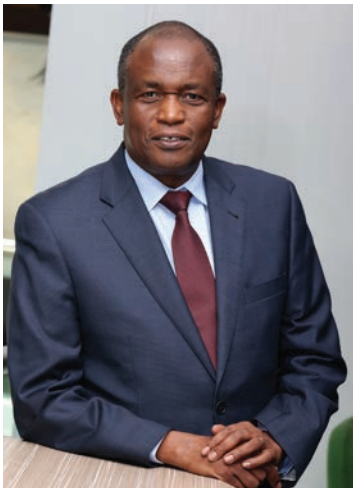
MEMBERSHIPS AND AFFILIATIONS

	Affiliation	Organization	
	Member	African Union for Housing Finance	
	Member	International Secondary Mortgage Market Association (ISMMA)	
	Member	The Blue Company	
	Member	UN Global Compact	

AWARDS AND ACCOLADES

Award		Recognition
	Africa Housing Awards, 2024.	Innovative Affordable Housing Solution Provider of the Year, 2024
	Africa Housing Awards, 2024.	Pan-African Secondary Mortgage Institution of the Year, 2024
	Gender Mainstreaming Awards, 2024.	Finalist - Equal Representation and Participation Category

THE BOARD OF DIRECTORS



Dr. Haron Sirima, OGW
CHAIRMAN

Mrs. Susan Maira
INDEPENDENT &
NON-EXECUTIVE DIRECTOR

Mr. Robert Kibaara
NON-EXECUTIVE DIRECTOR

Mr. Osman Kiloh
Khatolwa, I-CUDE, ADE
NON-EXECUTIVE DIRECTOR

Mrs. Annastacia Kimtai
NON-EXECUTIVE DIRECTOR

Mrs. Jane Mwangi
INDEPENDENT &
NON-EXECUTIVE DIRECTOR

Mr. Johnstone Oltetia
CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR

CHAIRMAN'S STATEMENT

Accelerating Growth, Strengthening Impact, and Expanding Home Ownership

Dear shareholders,

On behalf of the Board of Directors, it is my honour to present the KMRC's Annual Integrated Report for the year ended 31st December 2024.

Operating Environment: A Macro Perspective

The 2024 global economic growth at 3.2 percent remained relatively at the same pace as the previous year but way below the pre-pandemic period of 3.6 percent from 2000-2019. A slight acceleration in growth in advanced economies was moderated by slow down in emerging and developing economies. Global inflation declined to 5.9 percent with advanced economies returning to their targets sooner than other economies.

Kenya's economy grew by 4.7 percent in 2024 compared to 5.7 percent in 2023 due to external and domestic challenges. Inflation declined steadily from 6.9 percent in January to 3.0 percent in December 2024, supported by prudent monetary policy. The Monetary Policy Committee reduced the Central Bank Rate by 1.75 percentage points from 13.0 percent in January to 11.25 percent in December 2024.

Average deposit rates increased marginally from 10.2 percent in January and to 10.5 percent in December, while the average commercial banks' lending rates rose from 15.2 percent in January to 16.9 percent in December, reflecting the slow monetary policy transmission mechanism. Private sector credit growth stood at 0.9 percent in 2024 compared to 13.9 percent in 2023. KMRC's mortgage refinancing facility at single-digit fixed interest rate remained attractive to primary mortgage lenders to expand mortgage offerings.

The Kenya shilling exhibited resilience, stabilizing after initial volatility, reflecting improved investor sentiment and external sector stability. The Kenya shilling strengthened by 19.0 percent against the US Dollar from KES. 159.7 in January to KES. 129.4 in December, 19.3 percent against the British Sterling Pound from KES. 202.9 in January to KES. 163.6 in December, and 22.2 percent against the Euro from KES. 174.3 in January to KES. 135.6 in December 2024 supported by narrowing of the current account and strong foreign exchange reserve.

Despite a divergent market environment, the company remains steadfast in its mandate of providing affordable, long-term funding to primary mortgage lenders to support affordable homeownership for Kenyans. It is a true testament to the Company's vision and unwavering commitment to transforming Kenya's housing finance sector.

KMRC's Next Frontier: Scaling Impact and Expanding Access

This year marked a significant milestone for the company. The Board took a central role in shaping the 2024-2029 Strategic Plan—a roadmap that will drive our growth, deepen our impact, and position us as a leader in affordable housing finance. At the heart of this process was a deliberate and thoughtful refinement of our vision, mission, and core values. We recognized the need to ensure that these guiding principles not only reflect who we are today but also align with our aspirations for the future. As the company continues to grow and evolve, it is essential that our purpose remains clear, our priorities well-defined and aligned to customer needs and our values deeply embedded in our operations.

Our vision is now firmly set: *To sustainably promote homeownership*. This underscores our long-term commitment to building a more inclusive, resilient, and accessible housing finance ecosystem. Our mission is equally focused: *To increase affordability of home loans through refinancing*. This renewed mission

will guide us toward enhancing mortgage accessibility, expanding refinancing solutions, and strengthening the financial ecosystem to benefit more Kenyans.

Building on the strong foundation of our 2020-2024 achievements, this refined direction ensures that the company remains a force for positive change in the housing sector. To our shareholders, partners, and stakeholders—your unwavering support fuels our vision. Your belief in our mission strengthens our resolve, and together, we will continue to accelerate access to affordable housing finance, transform lives, and drive sustainable growth.

Corporate Governance: A Pillar of Strength, Growth and Sustainability

At KMRC, strong governance is a foundation upon which we build trust, drive impact, and ensure long-term sustainability. In 2024, the Board exercised proactive governance to navigate economic uncertainties and policy changes effectively. We remained vigilant in monitoring market dynamics and responded with agility. Moreover, the Board's focus on risk management and compliance has ensured that KMRC meets all statutory and prudential guidelines, providing confidence that the company remains on a sound and accountable footing even in volatile times.

The Board continued to exemplify the principle of diversity, as reflected in its composition, backgrounds and skillset bringing together perspectives from various industries, cultures, and disciplines. Our directors bring a wide breadth of perspectives, reflecting various industries, cultures and professional experiences. This diversity is not only a testament to our commitment to inclusivity but also a strategic advantage that enhances our decision-making processes and adaptability in an evolving housing finance landscape.

To strengthen the governance, the Board also engaged in specialized training programs as part of the continuous capacity building to ensure board effectiveness. In addition, a comprehensive Board evaluation was conducted, offering valuable insights that continue to inform our governance structures, strengthen oversight mechanisms, and reinforce a culture of accountability. These initiatives are and continue to remain critical in ensuring that the company governance remains agile, resilient, and forward-looking, enabling us to continue delivering sustainable mortgage financing solutions for Kenyans.

On behalf of the Board, management, and staff of KMRC, I extend our sincere appreciation to Mr. Imtiaz Khan, who left the Board as Non-Executive Director to pursue other interests. He contributed immensely to the design of the current strategic plan seeking to transform the company to be cost effective and profitable in a sustainable manner in a rapidly changing and challenging business environment.

Looking Ahead: A Future of Growth and Impact

Even as we navigate an evolving financial landscape, our focus on strong governance, transparency, and risk management will remain unwavering, ensuring long-term stability and impact. With a clear vision and mission, strategic execution, and a dedicated team, the company will continue to reshape Kenya's mortgage market and unlock homeownership opportunities for more Kenyans.

In closing, and on behalf of the Board of Directors, I extend my heartfelt gratitude to our shareholders, stakeholders, regulators, and the Government of Kenya for their steadfast support and collaboration. In addition, I applaud the dedication of our management and staff, whose hard work and innovative spirit drive the company success. The Board remains deeply committed to steering KMRC with strong governance and strategic foresight as we embark on the next chapter of growth.

Dr. Haron Sirima, OGW
Chairman

“

A home is not just a place to live, it’s a place to create memories and build a legacy

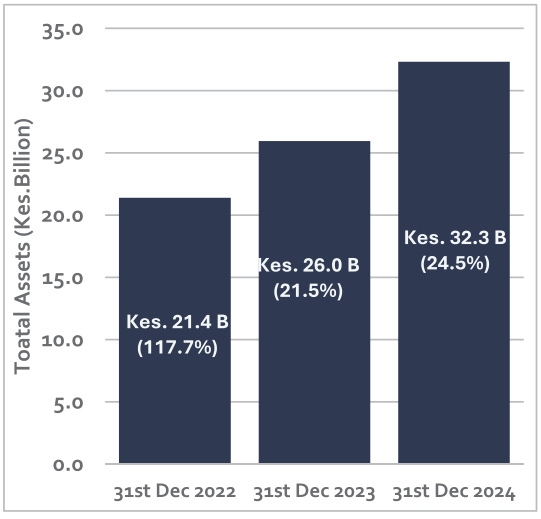
CEO'S STATEMENT

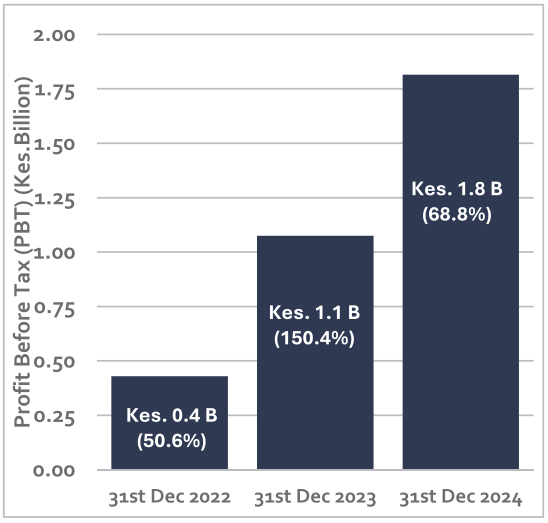
Next Era: Scaling Impact, Deepening Inclusion, and Driving Sustainable Growth

Year in Perspective

Despite a challenging macroeconomic environment, KMRC continued to play a pivotal role in driving homeownership and deepening the mortgage market. In the year under review, we remained resilient, achieving significant growth. The balance sheet grew by 25% to KES. 32.3 billion, supported by increased disbursements to primary mortgage lenders (PMLs) and a well-diversified investment strategy reaffirming the effectiveness of our strategic direction, prudent risk management, and commitment to sustainable growth. Profit Before Tax (PBT) grew by 69% in 2024 to KES. 1.82 billion, from KES. 1.08 billion in 2023, driven by a 34% increase in total interest income to KES. 3.21 billion in 2024 from KES. 2.4 billion in 2023. Our mortgage refinance portfolio continued to expand with the total amount of refinanced home loans standing at KES. 13.99 billion in Dec 2024, a 46% increase from the KES. 9.60 billion in 2023, directly benefiting 3,855 borrowers, a 23% growth compared to 3,128 mortgages in 2023.

KMRC's Total Assets and Profit Before Tax (PBT) Continues to Register Steady Growth





Investing in People: Empowering Talent to Drive Excellence

Our employees are the foundation of the company's success. Their expertise, passion, and dedication continue to propel our mission forward. We remain committed to fostering a workplace that supports professional development, well-being, and inclusivity. Through enhanced capacity building, mentorship programs, and leadership development courses, we are equipping our team with the skills necessary to drive innovation and operational excellence. Our employee well-being programs—including mental health support, fitness initiatives, and flexible work arrangements—reflect our belief that a motivated workforce is key to delivering sustainable impact.

Scaling New Horizons: KMRC's Growth and Acceleration Phase

The year marked the culmination of our **Strategic Plan 2020-2024**, which has been implemented with great success. During this period, we have built a firm institutional foundation, gained the trust of lenders and investors, and proven the viability of the the company's business model.

Within the year, the Board approved the new 2024-2029 Strategic Plan, a bold and ambitious blueprint that builds on the strong foundation laid by our inaugural 2020-2024 strategy. Now, we move into our growth phase with clarity, confidence, and an unwavering commitment to expanding access to affordable housing finance.

This strategy is forward-looking, impact-focused and is built on six pillars:

(i) Financial Growth and Sustainability: Enhancing mortgage refinancing, diversifying investments, and optimizing risk management for financial growth and sustainability.
(ii) Research & Development: Through research and development, we aim to enhance our products, and processes to effectively meet the evolving needs of Kenyans.
(iii) Governance: Upholding transparency, integrity, and accountability to build stakeholder trust.
(iv) Technology and Innovation: Leveraging advanced technologies to streamline operations and boost efficiency.
(v) Strategic Partnerships: Cultivating collaborations that drive innovation and create mutual value.
(vi) Marketing and Communication: Cultivating collaborations that drive innovation and create mutual value.

To advance further our mission, the Risk Sharing Facility (RSF)—operationalized through the Kenya Mortgage Guarantee Trust (KMGT)— will further unlock access to home loans for Kenya's informal sector, which comprises 83% of the workforce yet remains largely excluded. By de-risking lending to borrowers with non-traditional income streams, the RSF incentivizes Primary Mortgage Lenders (PMLs) to expand access to underserved markets, reinforcing the company's commitment to inclusive and impactful housing finance.

In 2024, as part of broadening access to affordable home loans to all Kenyans, the company opened refinancing to all regulated primary mortgage lenders (banks and saccos) widening scope of financial institutions from which Kenyans can access our single-digit, fixed rate product offering. In addition, we continued to strengthen the housing ecosystem by rolling out five regional capacity-building programs in Mombasa, Nairobi, Nakuru, Kisumu, and Kwale, equipping PMLs with the knowledge and skills on mortgage origination practices, underwriting, and risk management skills.

Moreover, during the year, the company developed a sustainability strategy, and this further solidifies our leadership in driving sustainability agenda in line with the Sustainable Development Goals (SDGs)

As we step into 2025 and beyond, the implementation of the second strategic plan (2024-2029) will capitalize on the momentum we have generated, with a bold vision to significantly scale up our impact on homeownership in Kenya. Notably, we enter this growth and acceleration phase operating from a position of strength – a solid balance sheet, proven demand for affordable mortgages, and unwavering support from our stakeholders.

Johnstone Oltetia
Chief Executive Officer & Managing Director

MANAGEMENT TEAM

Mr. Johnstone Oltetia

Chief Executive Officer and Managing Director

Johnstone Oltetia played a pivotal role in the establishment and operationalization of the KMRC. He is responsible for overseeing strategy development and implementation towards financial growth and sustainability of the company. Under his leadership, the company has significantly enhanced the affordability and accessibility of home loans to Kenyans through the provision of long-term liquidity to primary lenders.

Nyale Yanga

Chief Finance Officer

Nyale Yanga is responsible for effective management of the company's financial resources and providing appropriate financial and investment advice. He oversees capital raising, budgeting, asset management as well as implementing the company's financial policies and procedures.

Geofrey Mwaura

Head of Refinancing

Geofrey is responsible for the implementation of the company's Credit Policy, prudent lending and sound risk management practices. He provides leadership in the planning, implementation, and monitoring of refinancing, market and product development, and portfolio management. In addition, he oversees portfolio quality and ensures that all aspects of refinancing are fully integrated with the business to deliver on the company's strategic objectives.

Florah Muthaura

Head of Risk and Compliance

Florah Muthaura is responsible for leading the development and implementation of the company's risk management framework, ESG strategy, and compliance policies. She ensures the company's operations align with regulatory standards and best practices. In addition, she oversees the company's risk governance and sustainability initiatives.

Daniel Lelekoitien

Head of Human Resources and Administration

Daniel Lelekoitien oversees the company's Human Resources and Administration functions, ensuring seamless execution of HR strategies, employee relations, talent management, and organizational support services in line with the company's objectives of fostering a productive work environment that supports overall operational efficiency and employee engagement.

Olive Gitau

Head of Internal Audit

Olive Gitau is responsible for providing an independent, objective assurance and consulting activity designed to add value and improve the company's operations. She assists the Board and Senior Management in protecting the assets, reputation and sustainability of the company by evaluating and improving the effectiveness of risk management, internal controls and governance processes.

Deborah Masara

Ag. Head of Technology & Operations

Deborah Masara is responsible for the development and execution of technology strategies, digital transformation initiatives, and ensuring robust IT governance for the company. Additionally, she oversees operational efficiency, back-office activities, and quality control measures to enhance the overall performance of the company.

Josea Cheruiyot

Ag. Head of Research and Strategy

Josea Cheruiyot is responsible for the development and execution of research, strategy, marketing, and communication initiatives of the Company. With extensive experience in financial markets development and policy, he has been instrumental in shaping evidence-based policy advocacy.

Erick Wambua

Finance Manager

Erick Wambua is responsible for the coordination of the planning, budget preparation, implementation and control to provide adequate financial resources for effective and efficient achievement of the company's financial growth and sustainability.

Gideon Rutto

Procurement and Logistics Manager

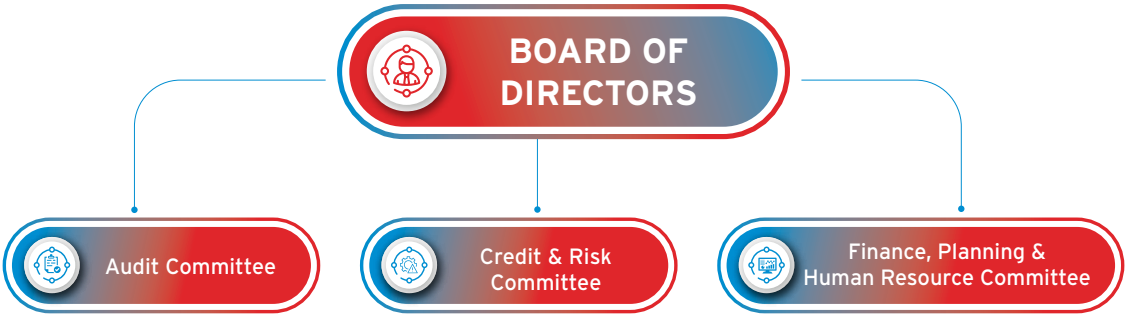
Gideon Rutto is responsible for leading and implementing the organization's Procurement & Logistics Strategy. He's responsible for the timely and cost-effective acquisition of goods and services while upholding the highest standards of efficiency, transparency, and sustainability.

LEADERSHIP AND CORPORATE GOVERNANCE

Corporate Governance Statement

As part of its operations, the company is committed to maintaining high standards of corporate governance. The Board applies strict rules of conduct, guided by best corporate governance practices, and in full compliance with all applicable laws and regulations. This commitment is demonstrated by its adherence to the highest ethical and moral standards, and to the principles of Integrity, transparency, accountability, and fairness in all aspects of its business which promote sustainable growth and enhances stakeholder confidence. The Board plays a critical role in fostering a strong corporate culture that reflects and promotes the Company's core values and is foundational to the company's operations, employee behavior and decision making. The Board further encourages all employees to maintain personal integrity, act in the best interests of the Company and its stakeholders and ensure that the Company operates as a responsible corporate citizen within the framework of Kenyan law.

BOARD ORGANOGRAM



Board Mandate

The KMRC Board Charter stipulates the activities, dealings and decisions to be undertaken by the Board and its committees, including the interactions between the directors, with the management as well as with the stakeholders. It aligns with the provisions of the Companies Act 2015 and the Company's Articles of Association. The Charter sets out the minimum requirements with regards to governance, financial management, risk management, legal and regulatory compliance and stakeholder management.

The KMRC Board is primarily tasked with overseeing the business operations while applying their commercial expertise to serve the company, shareholders and all stakeholders optimally. The core mandate of the Board is to safeguard and increase the company's assets while establishing a corporate culture premised on honesty, collaboration, integrity and high performance. The Board is also responsible for providing strategic direction, maintaining oversight of corporate performance, ensuring the institution's long-term sustainability, and protecting stakeholder interests.

The Board's key responsibilities include:-

- Setting and approving KMRC's strategic objectives, risk appetite and corporate values
- Ensuring integrity of accounting and financial reporting systems
- Overseeing risk management and internal control frameworks
- Safeguarding compliance with relevant laws, regulations and best practices
- Establishing credit and procurement limits, authorizing capital raising and debt issuance activities
- Approval and review of company policies

Additionally, the Board assumes responsibility for ethical leadership and performance of the company. Ultimate accountability for the company's ethical standards and human rights compliance rests with the Board. While management handles the practical implementation of these responsibilities, the Board maintains oversight of the various frameworks, procedures, and mechanisms designed to embed ethical principles throughout the company's organizational culture.

Board Composition, Size and Independence

According to the Board Charter and Articles of Association, the Board should consist of 7 members when fully constituted, with two-thirds being non-executive directors. While the Chief Executive Officer serves as an executive Board member, this position is not counted when determining the Board's complete composition. Currently, the Board is composed of four non-executive directors representing various shareholder interests, two independent directors, and the CEO who serves as the managing director. During the year, one non-executive director representing the DFI shareholders resigned on 30th June 2024.

With non-executive directors comprising over two thirds of the Board, the Board is well-positioned to provide independent strategic oversight, effectively guide management,

utilize its networks for company benefit, and ensure appropriate risk management measures are implemented.

The Board considers actual and potential conflicts of interest during each Board and committee meetings with declarations conflicts of interest registers, reviewed at minimum quarterly intervals and during the annual Board Evaluation. Directors are responsible for avoiding situations that place, or are perceived to place, their personal interests in conflict with their duties

The company maintains a directors and officers liability insurance policy that provides joint and several indemnifications for Board members against liabilities arising from corporate activities and their official duties. This insurance coverage undergoes annual renewal.

The Board members and meetings they attended in the year under report were as follows:

No.	Name	Position	Meetings Attended	Percentage
1.	Dr. Haron Sirima, OGW	Chairperson	5	100%
2.	Mr. Asman Khatolwa	Member	5	100%
3.	Ms. Susan Maira	Member	5	100%
4.	Ms. Annastacia Kimtai	Member	3	60%
5.	Mr. Robert Kibaara	Member	5	100%
6.	Mrs. Jane Mwangi	Member	4	80%
7.	Mr. Imtiaz Khan (Retired on 30th June 2024)	Member	3	60%
8.	Mr. Alain Nounke (Awaiting CBK approval)	Member	1	20%
9.	Mr. Johnstone Oltetia	Member	5	100%

Board Diversity

The Board, in 2024, approved a policy promoting inclusivity and diversity in recruitment and appointments, setting clear, measurable objectives to strengthen governance through varied perspectives. KMRC's Board now features a vibrant mix of skills, expertise, industry experience, backgrounds, and gender representation, maintaining an effective balance between Independent and non-executive directors.

Board Committees

The Board has constituted three (3) committees to support the discharging of its responsibilities. The membership and operation of these committees is guided by terms of reference (TORs) dictated by the Board. The three (3) committees are:

i. Audit Committee

The mandate of the Board Audit Committee (BAC) is to support KMRC Board fulfill its oversight role for the integrity of the Company's financial statements, internal control, the performance and independence of the internal audit function, the performance and independence of the external auditors and reporting responsibilities.

During the year, the BAC supported the Board to strengthen the standards of corporate governance, overseeing appointments of the external auditor and recommended all audit engagements including the fees and terms thereof. The external auditors performed the audit of the financial statements in addition to providing assurance on the controls and procedures regarding the Company's IT systems and annual tax compliance services. Recognizing the continued adoption and reliance in technology and use of information systems in the Company, the BAC oversaw the external auditor's IT controls assessment of the Company which covered IT governance, risk and compliance management; IT general controls; IT infrastructure review; application controls review; and reporting to ensure accuracy and completeness of system generated balances.

The BAC reviewed the statutory financial statements and recommended them to the Board for approval. The Committee also maintained oversight of the internal audit function, ensuring its independence and objectivity by approving the annual risk-based internal audit plan which covered key strategic business processes with contribution from management. Additionally, the Committee approved the adoption of the global internal audit standards while assessing the adequacy of internal controls across the Company's strategic business functions and processes. These included the refinancing post-disbursement monitoring process, environmental and social risk management process, procure to pay process, bond interest payment process and the enterprise risk management process.

During the year, the Committee held four (4) quarterly meetings with the BAC members and meetings attended as follows:

No.	Name	Position	Meetings attended	Percentage
1.	Mr. Asman Khatolwa	Chairperson	4	100%
2.	Ms. Susan Maira	Member	4	100%
3.	Mr. Robert Kibaara	Member	4	100%
4.	Ms. Annastacia Kimtai	Member	3	75%
5.	Mr. Imtiaz Khan	Member	2	50%

ii Credit and Risk Committee

The Board Credit & Risk Committee (BCRC) supports the Board by overseeing compliance with the Company's Credit Policy and refinancing guidelines. It establishes risk appetite, promotes prudent lending standards, and ensures regulatory compliance. The Committee also implements a comprehensive risk management framework to effectively identify, measure, control, and monitor key risks facing the Company.

During the year, the BCRC significantly strengthened the Company's risk management and credit oversight functions, prioritizing the assessment and mitigation of strategic, credit, environmental, and operational risks. The Committee emphasized enhancing cybersecurity infrastructure and effectively integrated Environmental, Social, and Governance (ESG) principles into the Company's risk management framework, ensuring sustainable and stable lending operations.

The Committee approved updates to critical policies, including Risk Management, Legal Services, Business Continuity, Environmental and Social Risk Management, and Credit Policies, ensuring alignment with evolving regulations and industry best practices. Through its proactive oversight, the BCRC strengthened the Company's governance, risk management, and prudent lending practices, enhancing resilience in a dynamic operating environment.

The Committee comprises two (2) independent and non-executive directors, and one (1) executive director, bringing together diverse expertise in finance, legal and compliance, risk management, and corporate governance. In 2024, the Committee held four (4) quarterly meetings to fulfill its mandate with the attendance and membership as follows:

No.	Name	Position	Meetings attended	Percentage
1.	Mrs. Susan Maira	Chairperson	4	100%
2.	Mr. Imtiaz Khan	Member	2	50%
3.	Mrs. Jane Mwangi	Member	3	75%
4.	Mr. Johnstone Oltetia	Member	4	100%

iii. Finance, Planning and Human Resource Committee

The Board Finance, Planning and Human Resource Committee (BFPHRC) provided strategic oversight on finance, risk management, human resources, information technology, and procurement. It reviewed key organizational policies, guided resource allocation, supported the adoption of technology, and strengthened talent management practices. In 2024, the Committee actively contributed to formulating KMRC's 2024-2029 Strategic Plan, monitored budget execution, corporate performance, and ensured compliance with all legal and regulatory requirements. The Board recognizes that procurement is a strategic function essential for driving organizational efficiency, sustainability, and long-term value creation. The Board ensures transparent and responsible procurement practices, providing oversight to all procurement activities to uphold integrity, optimize resource allocation, and support sustainable business growth.

During the year, the Committee held four (4) quarterly meetings with the BFPHRC members and meetings attended as follows:

No.	Name	Position	Meetings attended	Percentage
1	Mr. Robert Kibaara	Chairperson	4	100%
2	Mr. Asman Khatolwa	Member	4	100%
3	Ms. Annastacia Kimtai	Member	2	50%
4	Mrs. Jane Mwangi	Member	4	100%
5	Mr. Johnstone Oltetia	Member	4	100%

Board Performance Management, Evaluation and Capacity Building

The Board annually evaluates its collective performance, committees, and individual directors, focusing on mandate clarity, composition, meetings, independence, and ethical responsibilities. In 2024, the evaluation yielded strong results, affirming the companies optimal director mix and competencies. The process included assessments of the Chairperson and self-assessments by individual directors. Evaluation findings were discussed at the year's first board meeting, with implementation updates documented in subsequent meetings. The Board confirms all directors are performing effectively and remain committed.

Directors received timely, accurate, and comprehensive information, with materials distributed electronically ahead of meetings. the company continued using an electronic board platform, ensuring real-time access to information and enhancing board productivity and discussions.

Separation of Roles and Responsibilities

In compliance with the company's Board Charter, Articles of Association and the Code of Corporate Governance for Issuers of Security to the Public, the company maintained separate roles for Chairperson, CEO and Company Secretary in 2024. This separation enhanced independent decision-making, accountability, and a balanced distribution of power. The chairperson provided effective leadership, managed board meetings, approved meeting agendas, and ensured proper documentation. Working with the chairperson, the company secretary facilitated the board's work plan, evaluation process, director induction, professional development initiatives, and maintained effective shareholder communication.

Board compensation and succession planning

Board compensation is determined by the Board through board resolutions, with director compensation remaining unchanged in 2024. Compensation details are provided on Note 8 (Page 94) and Note 30 (Page 107) of the financial statements. The CEO received no additional remuneration for executive director's duties.

In compliance with the Articles of Association's succession requirements, two directors retired and were re-elected at the 2024 Annual General Meeting. The Board approved the Nomination, Appointment and Succession Policy during the year. The Policy

establishes the Nomination Committee, mandates regular Board's composition relative to strategic needs, ensures a structured onboarding for new directors and maintains a regularly reviewed Rotation Matrix for transparency and consistency.

No member of the Company's Board exceeds 70 years of age, and all Independent Directors have served terms within the duration limits prescribed by applicable law.

Information and Communication Technology Governance: Policies, Efficiency and Security

The Board recognizes ICT's critical role in enhancing core operations and service delivery. Strategic investments in advanced systems and innovative applications have streamlined internal processes, boosting operational efficiency and overall effectiveness. Technology and innovation are central to the companies 2024-2029 strategy, driving digital transformation, enhancing customer experiences, and sustaining competitive edge in an evolving market. Comprehensive ICT policies: - including cybersecurity, data protection, acceptable use, project management, and change management, underpin these initiatives.

the company prioritize business continuity through robust disaster recovery plans, ensuring essential service availability during disruptions. Agility is reinforced by proactively adopting cutting-edge technologies and adapting to the dynamic ICT landscape. Security remains paramount, with stringent measures protecting assets from unauthorized access. Regular biennial reviews ensure alignment with technological advancements. Commitment to innovation, including advanced data analytics, artificial intelligence, and machine learning, positions us to deliver exceptional stakeholder value.

Data Privacy and protection of personal information is prioritized in the operations of KMRC. The company has implemented governance structures that ensure independence in executing data protection responsibilities, including monitoring compliance, conducting impact assessments, liaison with regulators, staff training, and managing potential breaches. We ensure that privacy-by-design principles remain central to all operations. These efforts are complemented by the robust technical safeguards, and enhanced policies in place. The company has achieved full regulatory compliance and has maintained rigorous standards in data protection.

IT Governance is no longer a niche function, but a strategic imperative for ensuring organizational success and resilience in the digital age,

Deloitte & Touche

RISK MANAGEMENT

Approach to Risk Management

Risk management is fundamental to the companies strategic direction and organizational resilience. Recognizing risk as the potential for events or actions to adversely affect operations, proactively embed comprehensive processes to identify, measure, monitor, and mitigate these risks. The robust approach ensures alignment with corporate objectives, enhances operational stability, and maintains full compliance with evolving regulatory expectations, safeguarding sustainable growth.

The risk management framework is designed to:

- Ensure that individuals responsible for taking or managing risks have a clear understanding of the associated exposures.
- Maintain the company's risk exposure within the parameters set by the Board of Directors (BOD).
- Align risk-taking decisions with the Company's strategic goals and objectives as established by the BOD.
- Guarantee that the potential returns adequately compensate for the risks undertaken.
- Foster transparency by ensuring that all risk-taking decisions are explicit, well-documented, and fully considered.
- Safeguard the Company's financial stability by ensuring adequate capital is available to support risk-taking activities.

By maintaining a robust risk management culture, KMRC strengthens its ability to navigate evolving financial landscapes while safeguarding long-term sustainability and stakeholder value.

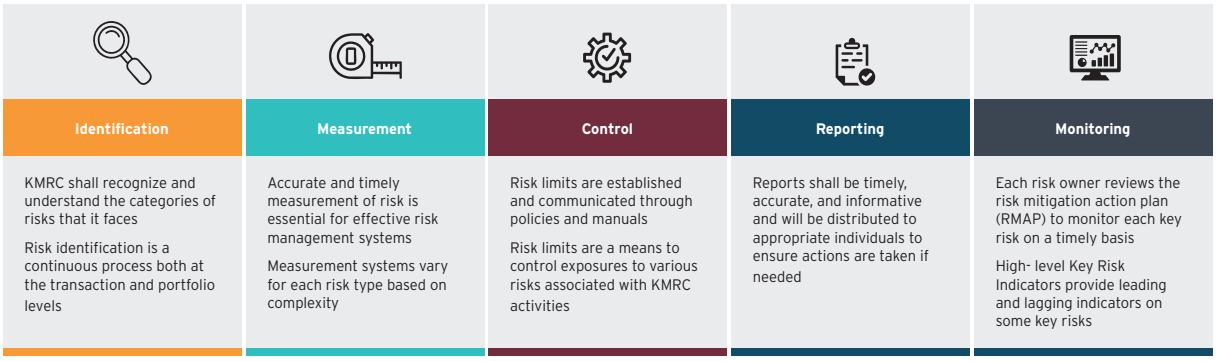
Risk Appetite and Governance At KMRC

The company's risk appetite reflects the Board's commitment to maintaining the lowest possible risk profile, enabling optimal funding conditions in the bond market, efficient capital utilization, and minimal intermediation margins for participating banks. This approach is essential to achieving the company's mission and strategic goals.

The Company's Risk Appetite Statement (RAS) is regularly updated to reflect the evolving risk landscape and macroeconomic environment. The Company maintains minimal risk exposure across all categories, supported by targeted strategies to proactively manage and mitigate risks.

The company translates its risk appetite into tactical and operational risk limits, establishing clear thresholds to ensure exposures remain within optimal levels. Specific limits are set for Credit, Market, Liquidity, and Operational risks, aligned with Company policies. Due to the company's robust operational controls and business model, overall risk exposure remains minimal.

Our Risk Management Process



KMRC's principal risks and operating environment uncertainities

The company faces significant risks and uncertainties that could impact its operations and profitability.

Credit Risk

In 2024, the banking sector faced increased loan defaults, with non-performing loan (NPL) ratios rising from 14.8% in January to 16.4% by December. This uptick significantly tightened private sector credit, reducing demand for affordable housing as prospective buyers delayed decisions amid job insecurity, weaker purchasing power, increased levies, and income instability. Recognizing this challenge, the Central Bank of Kenya reduced its benchmark rate from 13% in February to 11.25% in December, reflecting lower inflation and stable currency conditions. KMRC continues to proactively support PMLs through improved credit-risk frameworks, early loan restructuring interventions, affordable long-term financing, and targeted capacity-building to revive housing demand and enhance market resilience.

Economic Environment Risks

In 2024, the company navigated significant economic challenges. Kenya's economy moderated to 4.6% growth from 5.5% in 2023, reflecting both domestic pressures and global challenges. Non-performing loan (NPL) ratios in the banking sector peaked at 16.7% in September, ending the year at 16.4%, resulting in tightened credit conditions. The contraction in private sector credit further hindered developers' ability to finance projects, delaying housing completions. Despite the Central Bank Rate reduction to 11.25% in December 2024, market interest rates remained elevated, enhancing the competitiveness of KMRC's fixed-rate mortgage product priced below 10%.

Moreover, economic instability intensified due to social unrest linked to the 2024/2025 Finance Bill, high unemployment, reduced household incomes, and increased taxes, dampening consumer confidence and mortgage demand. Kenya's high public debt (72.4% debt-to-GDP) constrained fiscal capacity, while external geopolitical tensions and climate change further disrupted supply chains, raising project costs and delaying housing completions. KMRC responded proactively, introducing credit guarantees, diversifying funding streams, and closely tracking economic trends to bolster resilience amid ongoing uncertainty.

Legal and Regulatory Risks

KMRC operates in a highly regulated environment, requiring strict adherence to evolving legal and regulatory frameworks. Frequent legislative changes, including taxation reforms, environmental compliance policies, and the rejection of key legislative frameworks like the 2024 Finance Bill, introduced significant operational uncertainties and disrupted strategic alignment especially on funding mechanisms. The company actively engages policymakers and proactively monitors regulatory developments, ensuring compliance, adaptability, and resilience in meeting national housing objectives.

Sustainability and ESG Risks

Sustainability and ESG risks remained elevated in 2024, driven by increased climate-related events affecting mortgage collateral values and stricter ESG regulations impacting access to concessional funding for green mortgages. To address these challenges, The company is intensifying the implementation of its E&S policies, equipping PMLs with ongoing training to strengthen their risk assessment capabilities and aligning its operations with both local and international sustainability frameworks. Looking ahead, The company's resilience hinges on effectively managing these ESG risks, diversifying funding streams, and proactive engagement with regulators and stakeholders.

Technology and Cybersecurity Risks

The compan depends on robust ICT infrastructure for business operations, risk management, and reporting. Amid increasing cyber threats, including phishing, ransomware, and social engineering, The company has invested in advanced security solutions, such as next-generation firewalls, encryption protocols, intrusion detection systems, and endpoint protection. Continuous monitoring, regular audits, and ongoing cybersecurity awareness training for staff further ensure resilience against unauthorized access and data breaches, safeguarding our operations in a rapidly evolving digital landscape.

Internal Control Framework

KMRC's internal controls are designed to achieve organizational objectives, aligned with industry best practices. The system of internal controls features five core components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control Environment	Risk Assesment	Control Activities	Information & Communication	Monitoring Activities
The KMRC Board and management have set the tone at the top regarding importance of intenal controls including standards of conduct. With a focus on organizational structure, process of attracting, developing & retaining competent individuals	The company has a dynamic and iterative process for identifying and assesing risk to the achievement of objects.	Management has established control activities at all levels preventive and detective in nature ranging from manual to automated activities.	Management generates and uses relevant quality information from both internal and external sources to support functioning of the control components	Ongoing evaluations are built into businesses process and separate evaluations done periodically by management.

These components work together to mitigate risks and support KMRC's objectives, reinforced by governance structures, robust operational processes, and comprehensive policies. A fully constituted Board of Directors, competent management team, and independent internal and external audit functions—overseen by the Board Audit Committee—ensure regulatory compliance, protect assets, and uphold industry standards through a well-functioning corporate governance framework.

The Board and management actively maintain a dynamic internal control system that responds to evolving business models, technological shifts, globalization, and increasingly stringent regulations. This integrated approach involves continual collaboration across functions and governance structures, ensuring controls remain effective and adaptable in a rapidly changing environment.

The Company's internal control framework is: -

01 Geared to the achievement of objectives in operations, reporting and compliance.

02 A process consisting of ongoing tasks and activities.

03 Effected by people through the actions they take at every level in addition to being about policy and procedure manuals and adopted systems of operation.

04 Able to provide reasonable assurance to management and the Board.

05 Adaptable to the company structure hence flexible in application.

The company maintains stringent internal controls, with audit results thoroughly documented and management action plans tracked. In 2024, the Board approved the 2024-2029 Strategic Plan, updated critical policies, and reviewed the business model to further strengthen the control framework and advance the Company's objectives.

OUR VALUE CREATION MODEL

RESOURCE INPUTS

FINANCIAL CAPITAL

Ensuring Financial Stability and Sustainable Growth

- Shareholders Equity Kes. 1.8Bn
- Borrowings of Kes. 25.7Bn
- Cumulative Retained Earnings of Kes 2.9Bn
- Revenue from Refinancing of Kes 493 Mn

MANUFACTURED CAPITAL

- In 2024, KMRC allocated Kes. 24,000,000 towards enhancing its operational, information technology and security infrastructure. This significant investment is part of the company's ongoing commitment to fortify and upgrade the infrastructure and security systems.
- Additionally, the company has invested in the development of the KMRC app. The app, now available on both the App Store and Google Play Store, is designed for events management, KMRC product awareness, and promoting financial literacy.

INTELLECTUAL CAPITAL

- Research publications & market insights in 2024 included the state of the mortgage market in Kenya and a macroeconomic report.
- 6 regional PML capacity building & knowledge sharing sessions held in 2024.
- KMRC investment in capacity building for staff, Kes 25,924,317.22
- KMRC Investment in Board training of Kes. 22,635,737

HUMAN CAPITAL

Skilled workforce

- Total number of full-time employees-23 staff (61% and 39% female and male ratio respectively)
- Total number of female employees - 61%. 67% of employees are under 40 years of age, denoting a productive workforce.
- Total number of Board members is 7, out of which 43% are women
- Continuous capacity building includes the prestigious Housing Finance Course for Sub-Saharan Africa and training on the mortgage refinance product
- Training and professional development initiatives.
- Corporate culture promoting efficiency, integrity, innovation and collaboration

SOCIAL CAPITAL

- KMRC's has twenty (20) shareholders who are also its clients and partners. Banks - 43.78%, Saccos - 7.47%, National treasury – 25.33%.
- Two shareholders are development partners with 22.9% shareholding
- Stakeholder engagement in policy advocacy and regulatory compliance

NATURAL CAPITAL

- ESG & Climate Risk Assessment Frameworks: - Integration of environmental and social risk assessments into lending criteria.
- Partnership: - Engagement with PMLs to promote responsible lending.
- Regulatory Compliance: - Compliance with Kenya's Climate Change Act, CBK ESG Guidelines, EMCA and SDG Goals.
- Participation in UN Global Compact

VALUE OUTPUTS

- Volume of affordable housing and mortgage loans refinanced by KMRC Kes. 13.99B as at 2024, 46% annual growth from 2023.
- Percentage mortgage / housing loans refinanced by KMRC extended to women (Percentage)-47%
- Average maturity of new mortgage loans refinanced by KMRC in the year increased from 10 yrs in 2023 to 12 yrs in 2024
- Improved financial stability and liquidity for partner institutions.

- Enhanced efficiency in business operations.
- Streamlined, paperless events through the KMRC app for events management.
- Strengthening security of operations and infrastructure.
- Provision of interactive tools for financial literacy and homeownership guidance.
- Improved accessibility and convenience for users.

- Additional PMLs Onboarded- 8 (Eight) Non-Shareholders
- Improved product awareness among PMLs and the public
- Improved efficiency and mortgage underwriting thus enhanced customer experience
- Reinforced financial literacy among prospective homeowners.

- High-performing teams with expertise in mortgage refinancing and risk management.
- Improved employee engagement and retention.
- Strengthened internal controls and compliance mechanisms.

- Strengthened collaboration between financial institutions and the government.
- Improved public awareness of KMRC mortgage product and increased product distribution.
- Promoted policies that promote sustainable development.

- Strengthened ESG & Climate Risk Framework
- Integrated environmental risk assessments into the refinancing process.
- Regular ESG compliance reporting for investors and regulators.

IMPACT OUTCOME

- Increased access to affordable mortgages for middle- and lower-income households.
- Strengthened financial resilience of banks and SACCOs.

- Improved operations substantially
- Reduced environmental impact through the use of digital printing instead of printed copies.
- Enhanced stakeholder management.
- Increased product awareness

- Increased adoption of KMRC product.
- Improved mortgage lending practices
- Robust housing finance market

- Enhanced organizational efficiency and governance.
- Increased innovation and problem-solving capacity.
- A well-trained workforce driving best practices in company operations

- Increased homeownership and financial inclusion.
- Stronger investor confidence in Kenya's housing finance market.
- Sustainable housing sector growth aligned with national development goals.

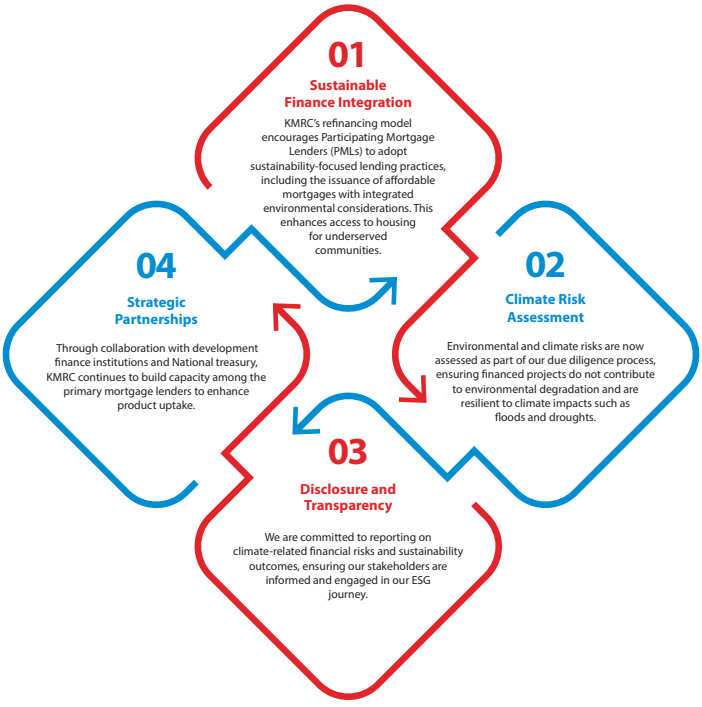
- Increased adoption of sustainable and climate-resilient housing models.
- Lower financing risks due to future-proof housing against climate change.
- Increased investor confidence in KMRC's sustainability-driven lending model.
- Increased access to affordable and sustainable housing for lower-income households.

COMMITMENT TO SUSTAINABILITY

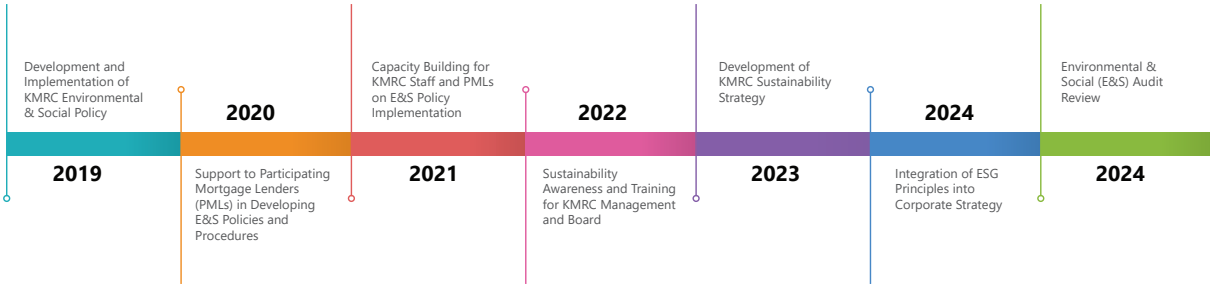
Sustainability is a cornerstone of the company's long-term strategy and operational approach. The company recognize that delivering affordable housing finance must go hand-in-hand with environmental stewardship, social inclusion, and sound governance. The company's commitment to sustainability ensures that we not only support Kenya's development agenda, including the Affordable Housing Pillar of the Bottom-Up Economic Transformation Agenda (BETA), but also contribute to climate resilience, gender equity, and responsible lending practices.

As a key institution in Kenya's housing finance ecosystem, sustainable finance and climate action is one of the key material topics for the company. Thus the company is committed to promoting financial flows that support sustainable finance integration and building long-term value for stakeholders and the broader economy. By embedding Environmental, Social, and Governance (ESG) considerations into the company's policies, risk assessment tools, and stakeholder engagement processes, we aim to foster a more inclusive, green, and future-ready housing finance sector.

Key areas of implementation



ESG Integration Milestones



KMRC
KENYA MORTGAGE REFINANCE COMPANY

"With KMRC
your rent now works like a million bucks
because it can buy you a Home."

AFFORDABLE
Home
LOANS
powered by KMRC

OUR MATERIAL TOPICS

Identifying and prioritizing material sustainability topics is a key element of the company's commitment to transparency, accountability and long-term value creation. These topics guide the ESG strategy, disclosures and stakeholder engagement.

In 2022, the company conducted its first comprehensive materiality assessment, laying the foundation for integrating sustainability into our core operations and aligning with Kenya's development agenda and global ESG standards. Since then, it has been reviewed and updated annually to reflect evolving stakeholder expectations, regulatory developments and the dynamic operating environment. Each year, the material topics are assessed for relevance in light of new strategic priorities, stakeholder feedback, and national/international developments (e.g., the BETA agenda, climate policy shifts, and sustainable finance trends).

Updates or re-prioritizations are made where necessary, ensuring that the sustainability reporting remains dynamic and responsive. The material topics have also been anchored in the company's current strategy.

1. Housing Impact

The company continues to be instrumental in transforming the housing landscape in Kenya, essentially through its primary mandate of availing affordable funds to banks and SACCOs as well as acting as a trusted thought leader in all matters pertaining housing. Through its unique and unmatched value proposition, the Company's efforts contribute significantly to the social and economic development of Kenya, making homeownership a reality for many.

I. Enhanced home ownership - the company's efforts have significantly boosted homeownership in Kenya, with a lot more ***wananchi*** accessing mortgages affordably to actualize their home ownership plans. By providing affordable refinancing options to banks, microfinance institutions, and SACCOs, the company has enabled these institutions to offer lower interest rates on mortgages.

II. Financial Literacy and Education - The company has been proactive in increasing housing financial literacy across Kenya, recognizing that informed borrowers are key to sustainable homeownership. Through various initiatives, including workshops, seminars, digital communication and community outreach programs, The company educates potential homeowners on the intricacies of mortgage products, financial planning and the home ownership journey. These efforts ensure that individuals understand their financial commitments, can make informed decisions about homeownership and ultimately, experience an enjoyable and informative journey. Additionally, KMRC's continuous capacity building initiatives for banks and SACCOs in mortgage origination and refinancing process have been essential in empowering financial institutions, contributing to improved mortgage lending practices in Kenya, thus better relationships with customers.

III. Market Trends and Forecasts – As an industry thought leader, the company is committed to improving Kenya's housing market and ensuring that critical decisions are data-driven. To achieve this, the Company conducts comprehensive research and disseminates information accordingly covering various intricate areas, providing industry decision-makers with reliable data to inform strategic planning and policy development.

IV. Social and Economic Impact - The impact of the company's housing

finance solutions transcends individual homeowners. By facilitating access to affordable housing, the company contributes to economic stability and social well-being. Through its refinancing business and general impact in the country, the company continues to foster community development, improve standards of living and stimulate economic activities in related sectors.

CEO J. Oltetia (2nd left) speaks on a panel discussion during the official launch of the Chora Plan Financial Literacy Campaign at Nairobi Serena Hotel on June 11th 2024

2. Customer Experience

The company prioritizes exceptional customer experiences through regular capacity-building for Primary Mortgage Lenders (PMLs), covering mortgage refinancing, underwriting, environmental safety, risk management, customer journey, industry best practices, and updates on affordable housing. These initiatives deepen stakeholders' understanding of the company's business model, bolster relationships, and empower PMLs to address customer needs effectively.

As a thought leader in the housing finance industry, the company actively collaborates with industry trendsetters and stakeholders to share valuable insights, innovative ideas, and emerging trends. By disseminating informative data, the company fosters informed decision-making, sparks positive conversations, and enriches data repositories. This approach strengthens stakeholder relationships, promotes ongoing learning, and drives continuous improvement across the industry.

Continuous research and customer engagements are essential to understanding and meeting customers' needs and preferences. By consistently gathering insights and feedback, the company has been able to adapt its product and service offering to enhance customers

housing finance needs, ensuring a proactive approach and drive innovation and competitive advantage. One of the outcomes of these engagements was removal of the income limit, initially required to access the company's home loan, making all Kenyans eligible for affordable home loans, thereby expanding scope of qualifying customers.

The company is committed to enhancing the capabilities of banks and SACCOs through its comprehensive capacity building initiative. We undertook countrywide PML capacity building initiatives for participating banks and SACCOs. This program aims to equip participating banks and SACCOs with the necessary resources, expertise and best practices to improve lending processes and customer service. By providing targeted training and resources, the company empowers these institutions to better understand and meet the borrowers' needs, thereby fostering a more inclusive and efficient mortgage market, thus enhanced customer experience. Ultimately, the company's capacity building efforts will contribute to a stronger, more resilient financial sector that is better equipped to support Kenya's housing needs.

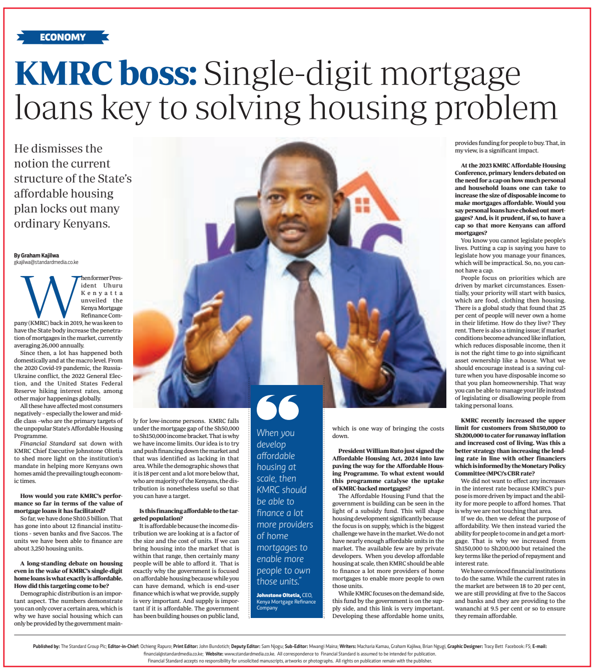
A breakfast meeting when KMRC hosted PMLs on June 19th 2024 at the JW Marriot Hotel, Nairobi

Increased Product Awareness Initiatives:

To address limited awareness and housing financial literacy in the country, the company conducts visibility and customer education initiatives aimed at increasing knowledge about its products, services and opportunities in the affordable housing sector. These campaigns seek to enhance financial literacy and help potential homeowners understand the essential steps in the process.

Some of the initiatives undertaken during the reporting period include:

- Digital communication efforts, including Influencer-led communication to promote the company's product offerings to the public. On average, we generated more than 200 leads per month through the website's contact form and achieved impressions and reach on digital media platforms.
- Publishing opinion editorials (OPEDS) in national dailies to educate the public on Affordable Housing and the company's role in implementing it.
- Radio publicity on a number of stations including Capital FM, Radio Citizen, Kiss 100 FM and Classic 105 FM.
- Presentation of the company's Value Proposition to the staff of Radio Africa Group. This was an opportunity to introduce KMRC to this audience and demonstrate how they could affordably own homes.
- Engagement in stakeholder-organized events and forums focused on affordable housing topics and themes including Greening affordable housing, alternative building technology and innovations in affordable financing.



ECONOMY

KMRC boss: Single-digit mortgage loans key to solving housing problem

He dismisses the notion the current structure of the State's affordable housing plan locks out many ordinary Kenyans.

By Graham Kajilwa
gkajilwa@standardmedia.co.ke

When former President Uhuru Kenyatta unveiled the Kenya Mortgage Refinance Company (KMRC) back in 2019, he was keen to have the State body increase the penetration of mortgages in the market, currently averaging 26,000 annually.

Since then, a lot has happened both domestically and at the macro level. From the 2020 Covid-19 pandemic, the Russia-Ukraine conflict, the 2022 General Election, and the United States Federal Reserve hiking interest rates, among other major happenings globally.

All these have affected most consumers negatively – especially the lower and middle class –who are the primary targets of the unpopular State's Affordable Housing Programme.

Financial Standard sat down with KMRC Chief Executive Johnstone Oltetia to shed more light on the institution's mandate in helping more Kenyans own homes amid the prevailing tough economic times.

How would you rate KMRC's performance so far in terms of the value of mortgage loans it has facilitated?

So far, we have done Sh10.5 billion. That has gone into about 12 financial institutions - seven banks and five Saccos. The units we have been able to finance are about 3,250 housing units.

A long-standing debate on housing even in the wake of KMRC's single-digit home loans is what exactly is affordable. How did this targeting come to be?

Demographic distribution is an important aspect. The numbers demonstrate you can only cover a certain area, which is why we have social housing which can only be provided by the government mainly for low-income persons. KMRC falls under the mortgage gap of the Sh50,000 to Sh150,000 income bracket. That is why we have income limits. Our idea is to try and push financing down the market and that was identified as lacking in that area. While the demographic shows that it is 18 per cent and a lot more below that, who are majority of the Kenyans, the distribution is nonetheless useful so that you can have a target.

Is this financing affordable to the targeted population?

It is affordable because the income distribution we are looking at is a factor of the size and the cost of units. If we can bring housing into the market that is within that range, then certainly many people will be able to afford it. That is exactly why the government is focused on affordable housing because while you can have demand, which is end-user finance which is what we provide, supply is very important. And supply is important if it is affordable. The government has been building houses on public land, which is one way of bringing the costs down.

"When you develop affordable housing at scale, then KMRC should be able to finance a lot more providers of home mortgages to enable more people to own those units."
Johnstone Oltetia, CEO, Kenya Mortgage Refinance Company

President William Ruto just signed the Affordable Housing Act, 2024 into law paving the way for the Affordable Housing Programme. To what extent would this programme catalyse the uptake of KMRC-backed mortgages?

The Affordable Housing Fund that the government is building can be seen in the light of a subsidy fund. This will shape housing development significantly because the focus is on supply, which is the biggest challenge we have in the market. We do not have nearly enough affordable units in the market. The available few are by private developers. When you develop affordable housing at scale, then KMRC should be able to finance a lot more providers of home mortgages to enable more people to own those units.

While KMRC focuses on the demand side, this fund by the government is on the supply side, and this link is very important. Developing these affordable home units, provides funding for people to buy. That, in my view, is a significant impact.

At the 2023 KMRC Affordable Housing Conference, primary lenders debated on the need for a cap on how much personal and household loans one can take to increase the size of disposable income to make mortgages affordable. Would you say personal loans have choked out mortgages? And, is it prudent, if so, to have a cap so that more Kenyans can afford mortgages?

You know you cannot legislate people's lives. Putting a cap is saying you have to legislate how you manage your finances, which will be impractical. So, no, you cannot have a cap.

People focus on priorities which are driven by market circumstances. Essentially, your priority will start with basics, which are food, clothing then housing. There is a global study that found that 25 per cent of people will never own a home in their lifetime. How do they live? They rent. There is also a timing issue; if market conditions become advanced like inflation, which reduces disposable income, then it is not the right time to go into significant asset ownership like a house. What we should encourage instead is a saving culture when you have disposable income so that you plan homeownership. That way you can be able to manage your life instead of legislating or disallowing people from taking personal loans.

KMRC recently increased the upper limit for customers from Sh150,000 to Sh200,000 to cater for runaway inflation and increased cost of living. Was this a better strategy than increasing the lending rate in line with other financiers which is informed by the Monetary Policy Committee (MPC)'s CBR rate?

We did not want to effect any increases in the interest rate because KMRC's purpose is more driven by impact and the ability for more people to afford homes. That is why we are not touching that area.

If we do, then we defeat the purpose of affordability. We then instead varied the ability for people to come in and get a mortgage. That is why we increased from Sh150,000 to Sh200,000 but retained the key terms like the period of repayment and interest rate.

We have convinced financial institutions to do the same. While the current rates in the market are between 18 to 20 per cent, we are still providing at five to the Saccos and banks and they are providing to the wananchi at 9.5 per cent or so to ensure they remain affordable.

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MARKET INSIGHT

Building sustainability into affordable housing

HOUSING
JOHNSTONE OLTETIA

Integrating the ESG principles into every mortgage origination is not just about risk management, but a business strategy

Workers at an affordable housing project site in Bahati, Nakuru County on May 22, 2024. JOHN NJOROGE

Climate change-induced risks are becoming a stark reality affecting millions, not only in Kenya, but also globally. Recently, during the above-average rainfall, homeowners watched their houses submerged or swept away by the raging waters. Others were left structurally damaged.

As a result, substantial financial losses were registered. The consequences of these climate-related disasters have been catastrophic, underscoring the importance of proactive measures to mitigate climate risks.

Within the housing ecosystem, embedding Environmental, Social, and Governance (ESG) practices is not only a moral but also a pragmatic imperative.

Central to its realisation is the financial system, the heartbeat of any economy. As a result, we are calibrating and integrating considerations aimed at reducing environmental impact, promoting social responsibility, and ensuring long-term economic viability in operations and through partnership with the primary mortgage lenders.

Mortgage providers should consider the sustainability of the property financed in terms of location and compliance with legal and regulatory requirements. Lenders, for instance, should be provided with an exclusion criterion which disallows financing of housing projects that fall short of expected compliance including illegal and/or non-complying to applicable laws, those associated with illegal forced evictions, those involving outstanding disputes and those built in riparian regions.

In addition, the social dimensions are equally important, and the assessment screens the portfolios against social factors such as the labour and working conditions for the primary mortgage lenders and workers involved during construction of the property. By adhering to these standards, mortgage originators can significantly mitigate risks and contribute to sustainable development. Integrating ESG principles into mortgage origination is not just about risk management; it is a compelling business strategy, and therefore translating into more stable and sustainable business models.

Consumers, investors, and policymakers increasingly value sustainability and ethical business practices. Expanding to underserved moderate income segments should be a key priority. A recent assessment indicates that out of the 19 million people employed in Kenya in 2022, approximately 16 million worked in informal economy. Informality has been a hindrance to homeownership, yet a big share of the population is employed in the informal sector.

Beyond the obstacles specific to the informal sector, the problems for accessing housing finance are compounded in low middle income households even when housing solutions are available to them. To serve this underserved market segment, whose incomes are irregular and often undocumented, mortgage providers should implement a risk-sharing facility to de-risk the lower income earners, ultimately having broader social impact dimensions.

The writer is the CEO at Kenya Mortgage Refinance Company

BD Business Daily

LAST WORD.

"If you don't get out of the box you've been raised in, you won't understand how much bigger the world is."
Angelina Jolie
AMERICAN ACTRESS, FILMMAKER, AND HUMANITARIAN.

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CROSS WORD

YESTERDAY'S SOLUTION
TIMES CROSSWORD 28,406

TIMES CROSSWORD 28,407

ACROSS
1 Diamonds appropriate for waterproof container? (3,3)
5 Lead bloke who presents weather forecast? (5,3)
9 Rabble repeated phrase by gunmen very loudly (8)
10 Top males welcomed by clubs, say (6)
11 What's covered by up-to-date diaries occasionally (3,3,4)
13 Open University's accepting piano piece (4)
14 Initially dampen excitement that runs round room (4)
15 Bear expert around noon giving tacit assent (10)
18 We're spoiled with wealth that kept mill going (5,5)
20 Coach trip's beginning with no money (4)
21 Maybe Rosemary's wrapped in feather boa (4)
23 Staff on the road primarily sell drinks on behalf of church (5,5)
25 What some do when all but first of harvest fails? (6)
26 One who talks about exercising person in exchange (8)
28 Old American stands in for one in household very well (8)
29 Stand up to soak sibling coming in (6)

DOWN
2 Sausage and cool drink passed round volunteers (9)
3 Polish aluminium ring — for its nose? (7)
4 State aim inconclusively (3)
5 Female stops suitable husband in interval in bar (5)
6 Blair admitting issue with tablets for film-maker (5,6)
7 Vault over large area's fair game (7)
8 A drive out every so often can be so long (5)
12 Course used to be owned by female cleaners (11)
16 Pay for each experience at the start (3)
17 Farm produce can cut credit in outlets (4,5)
19 Ban doctor boarding English ship in the past (7)
20 Isle of Man swimmer's collecting organic fuel (7)
22 More wide possibly (5)
24 Stupid place to go with pony not performing (5)
27 Royal couple put their foot in it (3)

Articles and Thought Leadership pieces featured in the dailies during the reporting period to promote public awareness and Housing Financial Literacy.

3. Partnerships - Unlocking Value through Strategic Collaborations

The role of business in solving social and environmental challenges is evolving, and companies are expected to take proactive steps toward sustainability. The company is at the forefront of this movement, recognizing that sustainability is not just about reducing environmental impact but also about creating long-term value for all stakeholders.

The company embeds sustainability into its core mission of expanding affordable housing finance, recognizing that solving the housing deficit and mitigating climate risks demand collective action. Through strategic partnerships with government, investors, communities, financial institutions, and NGOs, the company advances systemic solutions that drive lasting impact.

(L-R) Mvuselelo Fakudze- CEO, Stanbic Bank Eswatini, Phillip Madinga– CEO, Stanbic Bank Malawi, Realeboga Phoi - Chief Finance & Value Officer, Stanbic Bank Botswana, Johnstone Oltetia- CEO, KMRC, Manzi Rwegasira-CEO, Stanbic Bank Tanzania and Erwin Tjipuka- CEO, Standard Bank Namibia at KMRC during the Standard Bank's Top-to-Top Immersion' initiative in Dec 2024

As part of our commitment to sustainability, KMRC is developing a Community Engagement Framework that will provide a structured approach to stakeholder collaboration, decision-making, and long-term impact measurement. This framework will:

- Enhance stakeholders' involvement in affordable housing developments.
- Ensure transparency in stakeholder interactions and financial decision-making.
- Support sustainable urbanization through inclusive housing solutions.
- Improve financial literacy by empowering communities with knowledge on home financing

Some of the successful partnerships and collaborative initiatives that we undertook during the year include:

- Affordable Housing week 2024, organized by the State Department for Housing and Urban Development to commemorate the 2024 Mashujaa Day.
- A breakfast workshop with the Financial Journalists Society of Kenya (FJSK) to promote accurate and comprehensive reporting on the company and the industry in general as well as enhance the company's media relations.
- A meeting with a team from Namibia National Housing Enterprise to share information on the company's business model, strategic partnerships and the integral role that the company is playing to transform the housing finance sector in Kenya and increase home ownership.

KMRC Staff with a delegation from Namibia's National Housing Enterprise when they visited KMRC for a benchmarking exercise on November 7th, 2024

This initiative aligns with Kenya's Vision 2030, the Bottom-Up Economic Transformation Agenda (BETA), and the Affordable Housing Programme (AHP), reinforcing KMRC's role as a catalyst for financial inclusion and sustainable homeownership.

Strategic Partnerships: To strengthen mortgage accessibility, capital market development, and housing finance efficiency, the company is committed to leveraging strategic partnerships to create innovative and scalable financing solutions.

In line with the company's Strategic Plan (2024-2029), the following Key Performance Indicators (KPIs) will guide our partnership initiatives:

i. Mapping Value-Adding Partnerships

- Identifying partners who align with the company's affordable housing finance mandate.
- Establishing structured engagement models to ensure mutual benefit and long-term sustainability.

ii. Mobilizing Partner-Sourced Funding

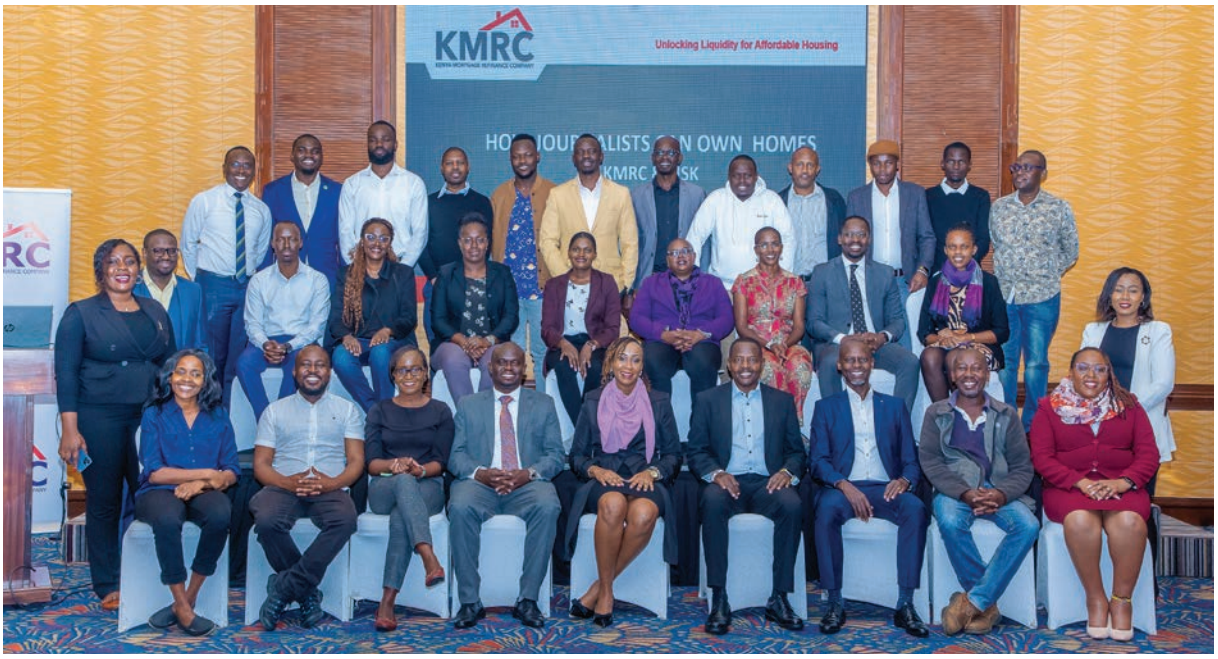
- Collaborating with Development Finance Institutions (DFIs), international lenders, and capital markets to increase funding liquidity for primary mortgage lenders (PMLs).
- Expanding Green Finance Initiatives to support climate-friendly, energy-efficient housing projects.

iii. Growth in Strategic Alliances

- Strengthening collaborations with banks, SACCOs, and fintech companies to develop innovative financing models such as Tenant Purchase Schemes (TPS) and Rent-to-Own solutions.
- Expanding risk-sharing agreements with insurers and credit guarantee institutions to de-risk mortgage lending for underserved markets.

iv. Partnership Governance and Impact Tracking

- Implementing clear documentation, monitoring, and impact assessment for all the company's partnerships.
- Aligning with global best practices in Environmental, Social, and Governance (ESG) compliance.



KMRC Staff with members of the Financial Journalists Society of Kenya (FJSK) during a breakfast workshop on September 25th, 2024 at the Serena Nairobi Hotel

4. Leadership and Governance: - Strengthening Institutional Excellence

Strong governance and leadership form the foundation of our long-term success and sustainability. As a public-private partnership regulated by the Central Bank of Kenya (CBK), the company uphold the highest standards of corporate governance, ethical leadership, and stakeholder engagement to ensure financial stability and impact-driven decision-making.

The company's governance framework is aligned with Kenya's regulatory requirements and global best practices, which prioritizes accountability, integrity, and operational excellence. Through robust governance structures, clear policies, and strategic oversight, the company fosters trust among its stakeholders, ensuring sustainable business growth and value creation.

The Board of Directors plays a pivotal role in shaping the organization's strategic direction, ensuring financial prudence, risk mitigation, and regulatory compliance. The Board is composed of a diverse group of professionals, including representatives from the Government of Kenya, financial institutions, and development partners, bringing a wealth of expertise in housing finance, financial services, legal and compliance, risk management, and corporate governance.

Key Responsibilities of the Board

Strategic Oversight: Guides the company's long-term vision and ensures alignment with Kenya's housing finance agenda.

Regulatory & Policy Compliance: Ensures full adherence to CBK & CMA regulations, Financing Agreements, Internal Policies, and Financial reporting standards.

Risk Management: Implements a comprehensive Enterprise Risk Framework to safeguard against financial and operational risks.

Ethical Leadership: Promotes transparency, accountability, and good corporate governance practices.

Stakeholder Engagement: Strengthens partnerships with investors, financial institutions, and government agencies to enhance business sustainability.

Governance Framework and Compliance

The company has implemented a rigorous corporate governance structure, ensuring:

- Separation of roles between the Board and management for clear accountability.
- Biennial governance audits to maintain regulatory compliance.
- Code of Ethics and Conduct to uphold professionalism and ethical decision-making.
- Stakeholder reporting mechanisms to enhance transparency and public confidence.

By reinforcing **governance excellence** and **ethical leadership**, the company remains committed to ensuring transparency, financial stability, and long-term stakeholder value, positioning itself as a leader in sustainable mortgage refinancing.

Responsible Market Conduct

As part of our unwavering commitment to integrity and ethical business practices, the company is a proud member of the Blue Company Project, a private sector initiative promoting anti-corruption, transparency, and good corporate governance. Through this membership, the company affirms its zero-tolerance stance on corruption and actively supports efforts to build a clean and accountable business environment in Kenya. The company has adopted the Blue Company Code of Conduct, which reinforces internal controls, employee training, and stakeholder engagement on matters of ethics, integrity, and compliance.

> **Risk comes from not knowing what you're doing**
>
> *Warren Buffet*

5. Employee Welfare: - Building a Strong, Engaged and Resilient Workforce

Employees are the core pillar of the company's success. Our commitment extends beyond competitive pay to encompass holistic well-being, career development, diversity, inclusion, and work-life balance. Aligned with our 2024–2029 Strategic Plan, the staff wellness and professional growth has been integrated into our sustainability agenda to maintain a highly skilled, motivated workforce that advances the company's long-term objectives.

Creating a Positive Work Environment

A thriving workforce is essential to productivity, innovation, and operational efficiency. the company is committed to fostering a positive, inclusive, and high-performance workplace culture, supported by:

1. Employee Health & Well-Being

Some of the measures that are in place to enhance employees' health and well-being include:

- **Comprehensive Health Insurance** – Providing employees and their families with both inpatient and outpatient medical insurance cover.
- **Mental Health Support** – Access to counseling, wellness programs and employee assistance initiatives.
- **Work-Life Balance Policies** – Encouraging flexible work arrangements, parental leave, and employee health & wellness day.

During the year, the Company organized an annual medical and wellness check-up for staff, hosted a talk on lifestyle diseases and a team-building initiative to enhance team-work skills, effective interpersonal communi-cation, emotional intelligence and enhanced team dynamics. The company continues to implement its employee grievance redressal process and an annual employee satisfaction survey. Extensive training on occupational safety and health was conducted to ensure employees' health, safety and welfare in line with the Occupational Safety and Health Act (OSHA).

Celebrating the staff annual wellness check-up with fun and fitness dance on April 12th 2024 at Entim Sidai in Karen.

2. Professional Development & Growth Opportunities

The company is committed to fostering a workforce adept in sustainable finance, responsible lending, risk management, and ESG compliance. By prioritizing leadership and technical training, we ensure our team remains at the forefront of emerging regulations, best practices, and global sustainability trends. In 2024, the company made significant strides in enhancing employee capacity through internationally recognized training programs:

Advancing Sustainable Finance Expertise

Ten (10) employees successfully completed the Sustainable Finance Course from the University of Cambridge, strengthening their knowledge in green finance, climate risk integration, and responsible investment strategies.

Enhancing Housing Finance Capabilities

Five (5) employees successfully completed Housing Finance Course for Sub-Saharan Africa, a prestigious program co-hosted by the Wharton School, University of Pennsylvania, and the University of Cape Town. The course equipped them with technical insights into housing market dynamics, mortgage finance models, and innovative housing solutions tailored for emerging economies.

Strengthening Environmental & Social Risk Management

Ten (10) employees attended the Environmental and Social Risk Analysis (ESRA) Course by INCAE Business School, enhancing their ability to assess, mitigate, and manage ESG-related risks in housing finance transactions.

KMRC staff at a Health Talk to mark one of the Annual Wellness and Check-up initiatives in April 2024

Through these targeted training programs, the company is future-proofing its workforce, ensuring that employees are well-versed in the principles of sustainable finance, climate-conscious risk management, and impact-driven housing finance solutions. These initiatives are instrumental in driving responsible lending practices, reinforcing ESG compliance.

As part of our long-term capacity-building strategy, the company will continue to invest in global learning opportunities, executive leadership education, and industry collaborations to enhance employee expertise, foster innovation and sustain the company's commitment to transformative and inclusive housing finance.

Talent Development & Succession Planning – Implementing a talent management & succession plan.

3. Diversity, Equity & Inclusion (DEI) Initiatives

KMRC ladies during the 2024 International Women's Day (IWD) at the KMRC offices on March 7th 2024

Gender Equality & Equal Opportunities – Creating a diverse and inclusive workplace with equitable hiring, promotions, and leadership representation. Inclusive Workplace Culture – Implementing policies that foster respect, collaboration, and workplace fairness. In 2024, the company emerged as the Finalist in the Gender Mainstreaming Award in the Equal Representation and Participation category by the Business Engage held across Africa. The company's recognition underscores its dedication to ensuring that both men and women have equal opportunities to contribute and thrive within and outside of the organization.

KMRC's Staff at the Gender Mainstreaming Awards Galla Dinner on Nov 22nd 2024. They are (L - R) Grace Githinji, Florah Muthaura, Daniel Saruni, Rebecca Mlawasi and Victoria Achillah

4. Employee Engagement & Recognition

Employee engagement and recognition have seen a significant boost, as reflected in the rise of the employee satisfaction score from 75.8% in 2023 to 82.05% in 2024– a positive deviation of 6.25 points. This improvement highlights the effectiveness of

structured feedback mechanisms in fostering workplace morale and strengthening employee commitment. Competitive salary structures, performance-based rewards, and exposure programs, including benchmarking visits to Malaysia and Pakistan, have played a crucial role in enhancing motivation and professional growth. Additionally, annual retreats, team-building activities, and networking events have reinforced collaboration and a sense of belonging, further driving engagement. This holistic approach to recognition and workplace well-being continues to foster a dynamic and motivated workforce.

KMRC staff simulate a session during the First Aid training held in November 2024 in Nairobi

Future Priorities: Strengthening Employee-Centered Policies

The company is committed to continuous improvement in employee welfare, ensuring that our workforce remains engaged, supported, and empowered. Key future priorities include:

- Expanding Mental Health & Wellness Programs – Offering more holistic mental health initiatives and fitness programs.
- Enhancing Leadership Development Programs – Providing employees with advanced leadership training and global learning opportunities.
- Implementing a Hybrid Work Model – Adopting flexible work arrangements to enhance productivity and work-life balance.
- Strengthening Financial Wellness Support – Offering retirement planning, financial literacy training, and employee savings schemes.

The company's commitment to employee welfare is central to its corporate sustainability strategy. By fostering a healthy, diverse, and growth-driven work environment, we empower our employees to thrive professionally and personally, ultimately driving organizational success and long-term impact.

Our people are our greatest asset, and by investing in their well-being, professional development, and engagement, The company ensures that its workforce remains resilient, high-performing, and future-ready.

Happy dance to finish the year strong! KMRC's Staff during the annual staff year end celebration in December 2024.

6. Sustainable Finance and Climate Action

During the reporting period, the company deepened its commitment to sustainable finance and climate action, this being a core pillar of the Company's strategic agenda. We are committed to promoting financial flows that support sustainable finance integration and building long-term value for our stakeholders and the broader economy. By embedding Environmental, Social, and Governance (ESG) considerations into our policies, risk assessment tools and stakeholder engagement processes, we aim to foster a more inclusive, green and future-ready housing finance sector.

Further, in recognition of the growing urgency of climate-related risks and the evolving regulatory landscape, we implemented a multi-pronged approach to embed Environmental, Social and Governance (ESG) principles across our operations and partnerships.

Strategic Alignment and Policy Integration

The company's sustainability agenda is aligned with global frameworks which guide the Company's Environmental and Social Management System (ESMS), now fully integrated into the mortgage refinancing process.

Others include United Nations Sustainable Development Goals (SDGs), UN Global Compact, as well as national instruments including the Central Bank of Kenya's Climate Risk Guidelines and the Kenya Green Finance

KMRC
KENYA MORTGAGE REFINANCE COMPANY

Driving **sustainable homeownership** for a resilient and inclusive future

OUR SUSTAINABILITY GOALS

- Sustainable Finance and Climate Action
- Partnerships
- Employee Welfare
- Leadership and Governance
- Housing Impact
- Customer Experience

OUR VALUE PROPOSITION:

Single digit, Fixed interest rate
Long repayment tenor (up to 25 years)

AFFORDABLE Home LOANS
powered by KMRC

KMRC is Licensed and Regulated by the Central Bank of Kenya

Taxonomy. Internally, the policies that KMRC maKES reference to with regards to creating positive environmental and social outcomes while remaining committed to responsible business conduct include: Environmental & Social Risk Management Policy, Human Resource Policy and Procedures, Employee Ethics Manual/Code of Conduct, Recruitment Policy, Grievance Redressal & Whistleblowing Policy and Occupational Health and Safety Policy.

All properties refinanced by the company undergo environmental risk assessments, with sustainability criteria incorporated into property valuations to ensure climate resilience and responsible lending.

Environmental and Social Compliance Audit

In line with our commitment to sustainable finance and responsible lending, the company, in collaboration with the African Development Bank (AfDB), undertook an independent Environmental and Social Compliance Audit. The objective of the audit was to assess the level and extent of compliance with the Environmental and Social (E&S) provisions in the financing agreements, including: national legislations, regulations and procedures and strategic partners' environmental and social requirements. The audit covered both the company and its Primary Mortgage Lenders (PMLs) and identified areas for improvement in line with international best practices. The findings of such audits help inform the company's ongoing efforts to strengthen its E&S governance, enhance risk mitigation and align with global sustainability benchmarks.

Internal Climate Action and Operational Sustainability

Internally, the company has taken deliberate steps to reduce its carbon footprint by adopting sustainable practices within its operations. These include energy-saving measures, waste reduction, and digital transformation to minimise paper use. The Company also tracks and reports on its ESG risks, which remained elevated in 2024 due to climate-related events affecting mortgage collateral values and tightening ESG-linked funding conditions

Capacity Building and Knowledge Sharing

Recognising that sustainable finance requires a well-informed workforce, the company continues to conduct inculcate climate finance, ESG integration, and green lending practices in its capacity building initiatives for staff and PMLs. These sessions are aimed to build institutional capacity for assessing environmental risks and aligning lending decisions with sustainability objectives

Participants follow a presentation during the Mortgage Origination and Refinancing Capacity Building in Nairobi in April, 2024

KMRC
KENYA MORTGAGE REFINANCE COMPANY

Financial Statements

For The Year Ended
31 December 2024

DIRECTORS' REPORT

The Directors submit their report and the audited annual financial statements for the year ended 31 December 2024, which show the state of the Company's affairs

1 Incorporation

The Kenya Mortgage Refinance Company (KMRC) PLC was incorporated on 19 April 2018 under the Companies Act 2015. It is a public limited liability Company domiciled in Kenya. The address of the registered office is as set out on page 9.

2 Directors

The directors who held office during the year and to the date of this report are set out on page 15.

3 Principal activity

The principal activity of the Company is providing secure long-term funding to primary mortgage lenders (PMLs) which includes Banks, Microfinance Banks and Saccos.

The Company is regulated by the Central Bank of Kenya as a non-deposit taking financial institution and the Capital Markets Authority (CMA) which provides oversight over its bond issuance operations.

There have been no material changes to the nature of the Company's business from the prior year.

4 Business review

During the year under review, the total interest income of the Company increased to KES. 3,214,901,565 from KES. 2,400,727,179 in 2023, attributable mainly to interest income on loans and advances to Primary Mortgage Lenders (PMLs) and interest income from investments in financial assets. The profit before tax increased to KES. 1,817,977,722 from KES. 1,075,463,252 in 2023. The increase in profitability was due to the increase in the company's refinancing business to PMLs and income from investments.

KMRC continues to drive availability and affordability of home loans to Kenyans by providing low interest, fixed rate, and long-term finance to participating banks and Saccos. The PMLs pass this benefit to their clients/members by providing fixed rate home loans at single digit interest rates. By the close of the year, the Company had cumulatively processed loan applications from twelve (12) PMLs and disbursed a total of KES.13.99 billion to the twelve (12) PMLs, namely, HFC Ltd, Credit Bank Ltd, Co-operative Bank of Kenya, KCB Bank Kenya Ltd, Absa Bank Kenya Plc, Stanbic Bank, NCBA, Apstar Sacco, Tower Sacco, Stima Sacco, Unaitas Sacco & Qona Sacco.

The number of mortgages refinanced created 9,638 direct jobs to the Kenyan economy at an average of two and a half jobs created for every mortgage generated and refinanced by KMRC. Total refinanced mortgages were 3,855.

5 Principal Risk and Uncertainties.

Kenya Mortgage Refinance Company (KMRC) PLC faces significant risks and uncertainties that could impact its operations and profitability as highlighted from page 33 to 34.

6 Interest Rate Environment

In 2024, Kenya's financial markets reflected a gradual easing of pressures as inflation dropped from 6.9% in January to 3% by December, supported by an accommodative monetary policy. The Central Bank Rate (CBR), which influences other lending rates, began 2024 at 12%, rose to 13% in February, and remained steady until August. It was then gradually reduced to 12.75% in August, 12% in October, and 11.25% in December, as inflationary pressures were contained. Lending rates held steady beginning the year at 15.2% and stood at 16.9% in December, while deposit rates edged up slightly from 10.2% in January, ending at 10.45% in December. Treasury bill rates, which peaked in March at 16.68% for 91-day, 16.86% for 182-day, and 16.98% for 364-day tenures, fell sharply to 10.32%, 10.39%, and 11.83% respectively by year-end, reflecting improved liquidity and reduced borrowing costs. These high market interest rates continue to present an opportunity for the KMRC home loan product which offers fixed rate, long term, and single digit interest rates through the participating PMLs mitigating the affordability challenges for borrowers.

7 Key Initiatives

In 2024, KMRC undertook a series of transformative initiatives aimed at strengthening the housing finance ecosystem, enhancing stakeholder collaboration, and driving sustainable growth to fulfill its vision of sustainably promoting homeownership. They include;

a) **Stakeholder engagement and capacity building initiatives:** The company continued to undertake engagements with stakeholders through capacity building initiatives held in Nairobi, Nakuru, Kisumu, Kwale and Mombasa in addition to virtual engagements. This enhanced the capacity of Primary Mortgage Lenders (PMLs).

b) **Housing Finance in Sub-Saharan Africa (SSA) Course:** In partnership with the University of Cape Town and Wharton Business School of the University of Pennsylvania, we delivered a comprehensive capacity-building program to equip senior policymakers, and professionals in the housing ecosystem with the tools for understanding and addressing the bottlenecks in the housing value chain.

c) **Risk Sharing Facility (RSF):** Facilitated strategic discussions with stakeholders on the operationalization and implementation of the Risk Sharing Facility. This initiative seeks to further support the deepening of the mortgage market by supporting primary mortgage lenders to lend further down market through a partial guarantee mechanism.

d) **Strategic Plan 2024-2029:** Board approval of the Company's Strategic Plan (2024-29), outlining the priorities for the next five years: (i) financial growth and sustainability, (ii) research and development, (iii) governance, (iv) technology and innovation, (v) strategic partnerships, and (vi) marketing and communication.

e) **Onboarding of Non-Shareholders:** Reviewed the business strategy and began onboarding non-shareholders into the refinancing program, broadening access to affordable housing finance and fostering inclusivity within the housing finance ecosystem.

8 Corporate Governance Statement

KMRC adopts high standards of best Corporate Governance practices and applies strict rules of conduct as highlighted from page 25 to 31.

9 Dividend

The directors do not recommend the declaration of dividend for the year ended December 31 2024. (2023: Nil)

10 Annual Financial statements

The directors are not aware of any circumstances which would render the values attributed to the assets in the financial statements misleading as at the date of this report.

11 Directors' benefits

The directors' fees and sitting allowances were paid as shown in Note 8 and Note 30.

12 Statement as to disclosure to the Company auditor

Each of the persons, who was a director at the time the report was approved confirms that:

(a) there is, so far as the person is aware, no relevant audit information of which the Company's auditor is unaware;
(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information to establish that the Company's auditor is aware of that information.

13 Terms of appointment of independent auditor

Grant Thornton LLP were appointed and have expressed willingness to continue in office in accordance with the Company's Articles of Association and Section 723 of the Kenyan Companies Act, 2015 and the provisions of Central Bank of Kenya (Mortgage Refinance Companies) Regulations, 2019.

The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor appointment and the related fees.

14 Approval of the Financial Statements

The annual financial statements set out on pages 65 to 107, which have been prepared on the going concern basis, were approved by the Board of Directors on 13th March, 2025, and were signed on its behalf by:

By order of the Board

Director
Dr. Haron Sirima, OGW
Nairobi 13th March 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare annual financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company maintains proper accounting records that are sufficient to show and explain the transactions of the Company and disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these annual financial statements in accordance with the IFRS accounting standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- designing, implementing and maintaining such internal controls as they determine necessary to enable the presentation of annual financial statements that are free of material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the annual financial statements does not relieve them of their responsibilities.

The annual financial statements set out on pages 65 to 107 which have been prepared on the going concern basis, were approved by the Board of Directors on 13th March 2025 and were signed on its behalf by:

Director

Director

Grant Thornton

INDEPENDENT AUDITOR`S REPORT

To the Shareholders of Kenya Mortgage Refinance Company PLC

Dr. Haron Sirima, OGW
Mr. Johnston Oltetia

Report on the Audit of the Annual Report And Financial Statements

Opinion

We have audited the accompanying annual report and financial statements of Kenya Mortgage Refinance Company PLC (the company) set out on pages 65 to 107, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual report and financial statements, including a summary of significant accounting policies.

In our opinion, the annual report and financial statements present fairly, in all material respects, the financial position of Kenya Mortgage Refinance Company PLC as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the international accounting standards board and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual report and financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of annual report and financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated

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Independent Auditor`s Report (continued)

and separate financial statements.

Key Audit Matter	
Allowance for expected credit losses on financial assets	**How the matter was Addressed**
The expected credit losses on financial assets carried at amortised costs are determined in accordance with IFRS 9: Financial Instruments. The financial assets measured at amortized cost include; Financial assets at amortized cost (note 19), loans and advances and (note 20), and Cash and cash equivalents (note 21). The impairment assessment of these financial assets was considered to be a key audit matter because significant judgement was involved in determining the expected credit losses as disclosed in note 1 (f) to these Financial Statements. Key areas of judgement included: • the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the company's expected credit loss model; • the identification of exposures with a significant deterioration in credit quality; • assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. inflation rate and lending rate); and, • the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model. The relevant disclosure in the financial statements have been done in note 7 through profit or loss.	Our audit procedures included the following: • We assessed and tested the design and operating effectiveness of the controls over the: i. Data used to determine the impairment losses on loans, including transactional data captured at loan origination and ongoing internal credit quality assessments. ii Expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy. • We assessed the modelling techniques/ methodology against the requirements of IFRS 9: Financial Instruments. • We assessed and tested the material modelling assumptions as well as overlays with a focus on the: i key modelling assumptions adopted by the company; ii basis for and data used to determine overlays; and iii. Sensitivity of the collective provisions to changes in modelling assumptions. · In addition, we assessed the adequacy of the disclosures in the financial statements.

Other information

The other information comprises the information included in the Annual Report other than the Financial Statements and our auditor's report thereon. The directors are responsible for

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Independent Auditor`s Report (continued)

the other information. Our opinion on the Annual Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Responsibilities of the directors and those charged with governance for the Annual Report And Financial Statements

The directors are responsible for the preparation and fair presentation of the annual report and financial statements in accordance with IFRS Accounting Standards as issued by the accounting standards board and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determines is necessary to enable the preparation of annual report and financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the Annual Report And Financial Statements

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

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Independent Auditor`s Report (continued)

users taken on the basis of these annual report and financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

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Independent Auditor`s Report (continued)

and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory matters as prescribed by the Kenya Companies Act, 2015

As required by the Kenyan Companies Act, 2015, we report to you based on our audit, that in our opinion the information given in the report of the directors on page 56-60 is consistent with the annual financial statements.

The signing partner responsible for the audit resulting in this independent auditor's report is CPA Dipesh Shah, Practicing Certificate No.1729.

For and on behalf of Grant Thornton LLP
Certified Public Accountants (Kenya)
Nairobi

13th March 2025

K/1703/1224/AUD

Kenya Mortgage Refinance Company PLC
Annual Financial Statements for the year ended 31 December 2024

Statement of Comprehensive Income

	Note		2024 KES	2023 KES
Revenue				
Revenue from interest determined using effective interest rate				
Interest on loans and advances	5	a)	493,397,532	390,074,989
Other interest income	5	b)	2,721,504,033	2,010,652,190
Total interest income			3,214,901,565	2,400,727,179
Finance cost	6		(1,055,683,491)	(1,016,111,838)
Net interest income			2,159,218,074	1,384,615,341
Net movement in expected credit losses	7		1,052,749	(1,579,227)
Governance expenses	8		(17,172,080)	(18,406,752)
Marketing expenses	9		(26,697,596)	(23,817,007)
Staff costs	10		(158,836,569)	(134,622,939)
Administration expenses	11		(108,828,511)	(97,397,115)
Other operating expenses	12		(5,996,461)	(5,629,409)
Depreciation and amortisation expenses	13		(24,761,884)	(27,699,640)
Profit before tax			1,817,977,722	1,075,463,252
Income tax expense	14		(495,915,723)	(227,676,456)
Profit for the year			1,322,061,999	847,786,796

Kenya Mortgage Refinance Company PLC
Annual Financial Statements for the year ended 31 December 2024

Statement of Financial Position as at 31 December 2024

	Note	2024 KES	2023 KES
Assets			
Property and equipment	15	15,470,737	31,845,355
Intangible assets	16	1,159,471	3,577,221
Right-of-use assets	17	8,103,712	16,207,426
Other assets	18	209,907,121	98,445,102
Current tax receivable	14	-	122,136,511
Financial assets at amortized cost	19	5,315,884,241	5,311,481,388
Loans and advances	20	11,888,572,822	8,405,522,891
Cash and cash equivalents	21	14,860,464,671	11,953,238,463
Deferred tax	22	22,069,974	14,630,648
Total Assets		**32,321,632,749**	**25,957,085,005**
Equity and Liabilities			
Liabilities			
Borrowings	23	25,731,201,060	20,662,582,125
Debt securities in issue	24	1,144,171,817	1,331,063,298
Lease liabilities	25	14,662,432	23,511,777
Other liabilities	26	439,641,779	417,007,220
Current tax payable	14	153,781,546	-
		27,483,458,634	22,434,164,420
Capital resources			
Share capital	27	1,808,375,125	1,808,375,125
Revenue reserves		2,911,800,468	1,624,216,144
Other reserves	31	289,880	7,098,349
Statutory reserve	20	117,708,642	83,230,967
Equity		**4,838,174,115**	**3,522,920,585**
Total Liabilities and Equity		**32,321,632,749**	**25,957,085,005**

The financial statements on pages 65 to 107 were approved for issue by the Board of Directors on 13th March 2025 and were signed on its behalf by:

Director
Dr. Haron Sirima, OGW

Director
Mr. Johnston Oltetia

Statement of Changes in Equity

	Notes	Share capital KES	Revenue reserves KES	Statutory reserve KES	Other reserve KES	Total KES
Year ended 31 December 2023						
As at 1 January 2023		1,808,375,125	792,787,685	66,872,630	13,934,635	2,681,970,075
Profit for the year		-	847,786,796	-	-	847,786,796
Amortisation		-	-	-	(6,836,286)	(6,836,286)
Transfer to statutory reserve		-	(16,358,337)	16,358,337	-	-
At 31 December 2023		**1,808,375,125**	**1,624,216,144**	**83,230,967**	**7,098,349**	**3,522,920,585**
Year ended 31 December 2024						
As at 1 January 2024		1,808,375,125	1,624,216,144	83,230,967	7,098,349	3,522,920,585
Profit for the year		-	1,322,061,999	-	-	1,322,061,999
Amortisation		-	-	-	(6,808,469)	(6,808,469)
Transfer to statutory reserve	20	-	(34,477,675)	34,477,675	-	-
At 31 December 2024		**1,808,375,125**	**2,911,800,468**	**117,708,642**	**289,880**	**4,838,174,115**

Kenya Mortgage Refinance Company PLC
Annual Financial Statements for the year ended 31 December 2024

Statement of Cash Flows

	Note	2024 KES	2023 KES
Cash flows from operating activities			
Profit before tax		1,817,977,722	1,075,463,252
Adjustments for:			
Depreciation of property and equipment	13	13,023,571	14,497,377
Depreciation on right-of-use assets	17	8,103,714	8,103,714
Amortisation of intangible assets	13	1,292,405	2,762,755
Amortisation of treasury bonds	19	2,342,194	2,335,794
Writeoff/Disposal of assets	15	28,744	411,220
Interest receivable on treasury bonds	19	(6,745,047)	(110,296,095)
Interest on debt securities in issue	24	34,540,967	67,707,604
Interest on lease liabilities	6	692,369	1,402,385
Income tax paid	14	(227,436,992)	(279,211,936)
Operating profit before working capital changes		**1,643,819,647**	**783,176,070**
(Decrease)Increase in other assets	18	(111,462,019)	158,141,495*
(Decrease)/increase in other liabilities	26	22,634,559	26,752,820
Increase in loans and advances	20	(3,483,049,931)	(1,655,175,183)
Net cash used in operating activities		**1,928,057,744)**	**(687,104,798)**
Cash flows used in investing activities			
Purchase of property and equipment	15	(1,060,821)	(3,574,068)
Purchase of intangible asset	16	(1,300,000)	-
Net cash used in investing activities		**(2,360,821)**	**(3,574,068)**
Cash flows from financing activities			
Proceeds from borrowings	23	5,068,618,935	3,842,438,701
Net Movement issue of debt securities	24	(221,432,448)	(195,811,638)
Payments of principal portion of the lease liability	25	(9,541,714)	(9,798,726)
Net cash from financing activities		4,837,644,773	3,636,828,337
Increase in cash and cash equivalents		**2,907,226,208**	**2,946,149,471**
Cash and cash equivalents at start of year		**11,953,238,463**	**9,007,088,992**
Cash and cash equivalents at end of year	21	**14,860,464,671**	**11,953,238,463**

* In 2024, the Company reclassified the Free Funds Account under the HFC Mortgage Scheme deposit from Other Assets (Note 18) to Cash and cash equivalents (Note 21). As a result, the 2023 comparative balances have been restated by KES 61,836,885 to ensure consistency and comparability

Kenya Mortgage Refinance Company PLC
Annual Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with IFRS Accounting Standards. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company taKES into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Transfer between levels of the fair value hierarchy are recognised by the directors at the end of the reporting period during which the change occurred.

Going concern

The financial performance of the Company is set out in the report of the directors and in the statement of comprehensive income. The financial position of the Company is set out in the statement of financial position. Disclosures in respect of principal risks and uncertainties are included within the Director's Report and disclosures in respect of financial risk management and capital risk management are set out in notes 3 and 4 respectively.

Based on the financial performance and

Kenya Mortgage Refinance Company PLC
Annual Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements (continued)

position of the Company and its risk management policies, the directors are of the opinion that the Company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

As highlighted in the statement of cash flows, the Company generated negative operating cash flows of KES 1,928,057,743 (2023: KES 687,104,798) which maybe an indicator of risk of going concern. However, The core mandate of the business is to provide long term liquidity to the Primary Mortgage Lenders and as such in the earlier years of operation, more cashflows need to be disbursed out to Primary Mortgage Lenders. The principle and repayments of these funds to the Company are spread over the length of the loans. Based on the financial performance and position of the Company and its risk management policies, the directors are of the opinion that the Company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) New Standards and Interpretations

i) Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Supplier finance arrangements - amendments to IAS 7 and IFRS 7

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements whereby finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk.

The effective date of the amendment is for years beginning on or after 1 January 2024.

The Company has adopted the amendment for the first time in the 2024 annual report and financial statements.

The impact of the amendment is not material

Non-current liabilities with covenants - amendments to IAS 1

The amendment applies to the classification of liabilities with loan covenants as current or non-current. If an entity has the right to defer settlement of a liability for at least twelve (12) months after the reporting period, but subject to conditions, then the timing of the required conditions impacts whether the entity has a right to defer settlement. If the conditions must be complied with at or before the reporting date, then they affect whether the rights to defer settlement exists at reporting date. However, if the entity is only required to comply with the conditions after the reporting period, then the conditions do not affect whether the right to defer settlement exists at reporting date. If an entity classifies a liability as non-current when the conditions are only required to

Kenya Mortgage Refinance Company PLC
Annual Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements (continued)

be met after the reporting period, then additional disclosures are required to enable the users of financial statements to understand the risk that the liabilities could become repayable within twelve (12) months after the reporting period.

The effective date of the amendment is for years beginning on or after 1 January, 2024.

The Company has adopted the amendment for the first time in the 2024 annual report and financial statements.

The impact of the amendment is not material

Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after 1 January, 2024.

The Company has adopted the amendment for the first time in the 2024 annual report and financial statements.

The impact of the amendment is not material.

ii) Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 January, 2025 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

This is a new standard which may be applied by subsidiaries which do not have public accountability. It is a disclosure only standard and provides for reduced disclosures for qualifying subsidiaries to apply, while still remaining compliant with the recognition, measurement and presentation requirements of IFRS accounting standards. The reduced disclosures provided in IFRS 19 may be applied by the subsidiary in their consolidated, separate or individual

Kenya Mortgage Refinance Company PLC
Annual Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements (continued)

financial statements, provided that the ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS accounting standards. A subsidiary has public accountability, and may not apply IFRS 19, if its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market, or if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

The effective date of the amendment is for years beginning on or after 1 January, 2027.

The Company expects to adopt the amendment for the first time in the 2027 annual report and financial statements.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

This is a new standard which replaces IAS 1 Presentation of Financial Statements and introduces several new presentation requirements. The first relates to categories and subtotals in the statement of financial performance. Income and expenses will be categorised into operating, investing, financing, income taxes and discontinued operations categories, with two new subtotals, namely ""operating profit"" and ""profit before financing and income taxes"" also being required. These categories and sub totals are defined in IFRS 18 for comparability and consistency across entities. The next set of changes requires disclosures about management-defined performance measures in a single note to the financial statements. These include reconciliations of the performance measures to the IFRS defined subtotals, as well as a description of how they are calculated, their purpose and any changes. The third set of requirements enhance the guidance on grouping of information (aggregation and disaggregation) to prevent the obscuring of information.

The effective date of the amendment is for years beginning on or after 1 January, 2027.

The Company expects to adopt the amendment for the first time in the 2027 annual report and financial statements.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments

The amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as such features could affect whether the assets are measured at amortised cost or fair value. The amendment also clarifies the date on which a financial asset or financial liability is derecognised in cases where liabilities are settled through electronic payment systems.

The effective date of the amendment is for years beginning on or after 1 January, 2026.

The Company expects to adopt the amendment for the first time in the 2026 annual report and financial statements.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

Kenya Mortgage Refinance Company PLC
Annual Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements (continued)

Lack of exchangeability - amendments to IAS 21

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow.

The effective date of the amendment is for years beginning on or after 1 January, 2025.

The Company expects to adopt the amendment for the first time in the 2025 annual report and financial statements.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

c) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenya shillings (KES), which is the Company's presentation currency.

d) Revenue recognition

The Company recognises revenue from interest on long term loans to financial institutions secured against mortgages and financial instruments. The Company recognises revenue as and when it satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognised is the amount the Company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

i) Interest income

Interest income for all interest-bearing financial instruments are recognised within the statement of comprehensive income on accrual basis using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instruments (or, where appropriate, a shorter period) to the carrying amount of the financial instruments. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by

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Notes to the Financial Statements (continued)

applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis. Previously unrecognised interest revenue of a cured credit impaired financial asset are recognised as a reversal of an impairment loss.

ii) Interest expenses

Interest expense for all interest-bearing financial instruments are recognised within the statement of comprehensive income on accrual basis using the effective interest method

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income on other financial instruments carried at fair value in the profit or loss. Once a financial asset or a portfolio of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for purposes of measuring the allowance for impairment.

e) Reserves

- *Loan loss reserve*

  Where impairment losses required by legislation or regulation exceed those calculated under International Financial Reporting Standards, the excess is recognised as a regulatory credit risk and accounted for as an appropriation of retained profits. This reserve is not distributable.

- *Other reserve*

  Other reserve relates to capital grants received from the National Treasury.

f) Financial instruments

Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and, for financial assets, adjusted for any loss allowances.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets –assets that are credit-impaired at initial recognition, the Company calculates the credit- adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset

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Notes to the Financial Statements (continued)

instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the statement of comprehensive income.

Interest income

Interest income and interest expense on interest bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount, except for:

(a) Purchased or Originated Credit Impaired (POCI) financial assets, for which the original credit- adjusted effective interest rate is applied to the amortised cost of the financial asset; and

(b) Financial assets that are not Purchased or Originated Credit Impaired "POCI" but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e.net of the expected credit loss provision) in subsequent reporting periods.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through the profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities are carried at fair value through profit or loss are expensed in profit or loss. Immediately after the initial recognition, an expected credit loss allowance (ECL) is recognised for the financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in the statement of comprehensive income when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument,

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Notes to the Financial Statements (continued)

deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

The Company classified its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Classification and subsequent measurement of debt instruments depend on:

(a) the Company's business model for managing the asset; and

(b) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit or loss (FVPL), are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance. Interest income from financial assets is included in "interest and similar income" using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss (FVPL), are measured through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income (OCI) is reclassified from equity to profit or loss and recognised in "net investment income" using the effective interest rate method.
- Fair value through the profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt investment

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Notes to the Financial Statements (continued)

that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented within "net trading income" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in "net investment income". Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at fair value through profit or loss (FVPL). Factors considered by the Company in determining the business model for a class of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets is held by the Company as part of liquidity management and is generally classified with the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at fair value through profit or loss (FVPL).

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represents solely payments of principal and interest (the "SPPI test"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification taKES place from the start of the first reporting period following the change. The changes are expected to be very infrequent and none occurred during the year.

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Notes to the Financial Statements (continued)

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as fair value through other comprehensive income (FVOCI) when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income (OCI) and are subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair values. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Company's right to receive payment is established.

Gains and losses on equity investments at fair value through profit or loss (FVPL) are included in the "net trading income" line in the statement of profit or loss.

(ii) Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and fair value through other comprehensive income (FVOCI) and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses (ECL) reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity based return that substantially affects the risk profile of the loan;

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Notes to the Financial Statements (continued)

- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change is interest rate;
- Change in the currency of the loan;
- Insertion of collateral, other security or credit enhancement that significantly affect the credit risk associated with the loan

If the terms are substantially different, the Company derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate of credit-adjusted effective interest rate for purchased or originated credit impaired (POCI) financial assets.

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Company:

(a) Has no obligation to make payments unless it collects equivalent amounts from the assets

(b) Is prohibited from selling or pledging the assets; and

(c) Has an obligation to remit any cash it collects from assets without material delays

Collateral (shares and bonds) furnished by the Company under standard repurchase agreements and securities lending and borrowings transactions are not derecognised because the Company retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met.

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This also applies to certain securitisation transactions in which the Company retains a subordinated residual interest.

Financial liabilities

(i) Classification and subsequent measurement

In both the current period and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss such as derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair values of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability);
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Company recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modification of the terms of the existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange of modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset

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Notes to the Financial Statements (continued)

and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

- their risks and economic characteristics are not closely related to those of the host contract;
- a separate instrument with the same terms would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value through profit or loss.

g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. Funds restricted for a period of more than three months on origination and cash reserve deposits with the Central Bank of Kenya are excluded from cash and cash equivalents. In the balance sheet, HFC mortgage scheme deposit are included as other receivables under assets and bank overdrafts if any are included as borrowings under liabilities. Cash and cash equivalents are carried at amortised cost.

h) Property and equipment

All categories of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the Company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life.

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Notes to the Financial Statements (continued)

The annual depreciation rates used are as follows:

	Asset	Rate - %
	Motor vehicle	25%
	Computers	25%
	Office Equipment	20%
	Furniture & Fitting	10%
	Leasehold improvements	Over the period of lease

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

i) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 5 years

j) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the

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Notes to the Financial Statements (continued)

amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

k) Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

l) Leases

Leases under which the Company is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments

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Notes to the Financial Statements (continued)

that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are recognised in profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the retained earnings to revaluation surplus reserve.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

The above accounting policy has been applied from 1 January 2020.

Leases under which the Company is the lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss on a straight-line basis over the lease term.

m) Provisions for liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of

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Notes to the Financial Statements (continued)

resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

n) Post-employment benefit obligations

The liability for post-employment benefit obligations relates to terminal gratuities. The Company does not fund this obligation in advance.

The Company's obligations, both vested and unvested, to pay terminal gratuities to employees are recognised based on employees' service up to the reporting date and their salaries at that date. The net change in the obligation is recognised in profit or loss.

The Company operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by an insurance Company. A defined contribution plan is a plan under which the Company pays fixed contributions into a separate fund, and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The Company's contributions are charged to the profit and loss account in the year to which they relate.

The Company and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Company's contributions are charged to the profit and loss account in the year to which they relate.

o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the asset based either on actual cost on specific borrowings or, in the case of general borrowings, based on a weighted average cost.

Capitalisation of borrowing costs ceases when all activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are recognised in profit or loss.

p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Company, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

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Notes to the Financial Statements (continued)

a) Significant judgements made in applying the Company's accounting policies

The judgements made by the directors in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

i) Classification of financial assets: whether the business model in which financial assets are held has as its objective the holding of such assets to collect contractual cash flows or to both collect contractual cash flows and sell the assets; and whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest;

ii) Whether credit risk on financial assets has increased significantly since initial recognition; and

iii) How to determine the incremental borrowing rate used in the discounting of lease liabilities.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) Impairment Losses

Estimates made in determining the expected credit losses on financial assets. Such estimates include the determination of probabilities of default including the use of forward-looking information, and of losses given default.

ii) Useful lives and residual values of property and equipment and intangible assets

Management reviews the useful lives and residual values of the items of property and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

iii) Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFRS 16 as detailed below:

- Incremental borrowing rate: To determine the incremental borrowing rate, the Company:
- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- maKES adjustments specific to the lease, e.g. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only

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included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

3. Financial risk management

The Company's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Company risk management are to identify all key risks for the Company, measure these risks, manage the risk positions and determine capital allocations to each operating entity. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Company's risk management objective is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance. The Company defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Financial risk management is carried out by the management under policies approved by the Board of Directors. The management function identifies and evaluates financial risks in close co-operation with the individual Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and non derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

3.1 Credit risk and expected credit losses

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations. Credit risk arises mainly from loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

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Notes to the Financial Statements (continued)

The Company is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets.

Credit risk is the single largest risk for the Company's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The Company carries out its own assessment of credit risk before investing, and updates such assessments at each reporting date.

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purposes default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that default does not occur later than when a financial asset is 90 days past due.

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 include observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract;
- it is probable that the debtor will enter bankruptcy; and
- the disappearance of an active market for the financial asset because of financial difficulties.

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Notes to the Financial Statements (continued)

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

	Basis for measurement of loss allowance				
	12-month expected credit losses KES	Lifetime expected credit losses (see note below) (a) KES	(b) KES	(c) KES	Total KES
At 31st December 2024					
Loans and advances	11,889,761,798	-	-	-	11,889,761,798
Short-term bank deposits	14,500,603,827	-	-	-	14,500,603,827
Cash at bank	102,456,385	-	-	-	102,456,385
Exposure to credit risk	**26,492,822,010**	-	-	-	**26,492,822,010**
At 31st December 2023					
Loans and advances	8,407,168,385	-	-	-	8,407,168,385
Short-term bank deposits	7,013,073,987	-	-	-	7,013,073,987
Cash at bank	2,572,924,102	-	-	-	2,572,924,102
Exposure to credit risk	**17,993,166,474**	-	-	-	**17,993,166,474**

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

(a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
(b) financial assets that are credit impaired at the balance sheet date; and
(c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

3.2 Liquidity risk

The Company is exposed to the risk that it will encounter difficulty in raising funds to meet commitments associated with customer requirements. Liquidity risk is addressed through the following measures:

(i) Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Finance Committee, is tasked with the responsibility of ensuring that all

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Notes to the Financial Statements (continued)

foreseeable funding commitments and deposits withdrawals can be met when due and that no difficulties meeting financial liabilities as they fall due is encountered.

A portfolio of short-term liquid assets largely made up of short-term liquid investment securities and bank facilities ensure that sufficient liquidity is maintained within the Company as a whole.

(ii) Source of funding

The Company successfully concluded a capital mobilization drive which resulted in the Government of Kenya, eight (8) commercial banks, one (1) micro finance bank, eleven (11) SACCOs and two (2) Development Finance Institutions injecting equity funds.

The Company also has a window to borrow funds from the Government of Kenya to be utilised as a line of credit to provide mortgage refinancing to the eligible participating financial institutions and offer technical assistance to support project implementation.

The Company also raised additional funding from the capital market through issuance of bonds.

(iii) Exposure to liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Finance Committee, is tasked with the responsibility of ensuring that all foreseeable funding commitments and deposits withdrawals can be met when due and that no difficulties meeting financial liabilities as they fall due is encountered. A portfolio of short-term liquid assets largely made up of short-term liquid investment securities and Company facilities ensure that sufficient liquidity is maintained within the Company as a whole. A Mortgage Refinance Company shall maintain such leverage ratio as may be specified by the Central Bank of Kenya by notice in the Gazette

The table below represents the cash flows payable by the Company under non - derivative financial liabilities by remaining contractual maturities at the end of the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows

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Notes to the Financial Statements (continued)

	Less than one month KES	Between 1-3 months KES	Between 3-12 months KES	Over 1 year KES
At 31st December 2024				
Other liabilities	6,816,990	65,723,678	9,856,968	391,785,110
Borrowings	-	-	-	25,731,201,060
Debt securities in issue	-	-	172,940,450	971,231,367
Lease liabilities	-	-	10,583,350	10,583,350
	6,816,990	**65,723,678**	**193,380,768**	**27,104,800,887**
At 31st December 2023				
Other liabilities	9,508,022	94,518,672	4,225,469	376,462,661
Borrowings	-	-	-	20,662,582,125
Debt securities in issue	-	-	153,724,844	1,109,630,850
Lease liabilities	-	-	11,545,473	11,966,304
	9,508,022	**94,518,672**	**169,495,786**	**22,160,641,940**

3.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Currency risk

The Company operates wholly within Kenya and its assets and liabilities are reported in the local currency. As at the end of trading period it had no currency risk pertaining to its operations.

The Company does not engage in activities that may lead it to incur foreign exchange, commodity or equity, or use financial derivatives except as hedging instruments.

Interest rate risk

The Company's exposure to interest rate risk arises from short-term bank deposits. Borrowings, loans and advances and other financial assets are fixed interest securities and therefore not susceptible to market interest rate changes.

Financial assets and liabilities advanced and obtained at different rates expose the Company to interest rate risk. Financial assets and liabilities obtained at fixed rates expose the Company to fair value interest rate risk, except where the instruments are carried at amortised cost. The Company maintains adequate ratios of borrowings when compared to total borrowings in fixed interest rates

The table below summarises the effect on post-tax profit had interest and equity rates been 1 percentage point higher, with all other variables held constant. If the interest rates were lower by 1 percentage point, the effect would have been the opposite.

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Notes to the Financial Statements (continued)

	2024 KES	2023 KES
Effect on profit (decrease)/increase	145,006,038	70,130,740
Effect on equity (decrease)/increase	101,504,227	49,091,518

Other price risk

Other price risk arises on financial instruments because of changes in the price of a financial instrument. The Company is not exposed to other price risk because it has no investments in instruments like quoted shares as at the end of the year.

4 Capital Risk Management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

(i) To comply with the capital requirements set by the Central Bank of Kenya;
(ii) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
(iii) To maintain a strong capital base to support the development of its business.

The Institution's aim is to build a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position

In implementing current capital requirements, the Central Bank of Kenya requires each Mortgage Refinance Company's Institution to maintain;

- A core capital of not less than one billion shillings;
- A core capital of not less than 10.5 per centum of total risk weighted assets plus risk weighted assets and off-balance sheet items;
- A total capital of not less than 14.5 per centum of its total risk weighted assets plus risk weighted assets and off-balance sheet items; and
- The computation of risk weighted assets and off-balance sheet items shall be computed as may be determined by the Regulator from time to time.

The Company has complied with all externally imposed capital requirements.

The table below summarises the composition of regulatory capital and the ratios of the Company for the year ended 31 December 2024. During the year, the Company complied with all of the externally imposed capital requirements to which they are subject.

Capital	2024 KES	2023 KES
Share capital	1,808,375,125	1,808,375,125
Retained profit	2,911,800,468	1,624,216,144
	4,720,175,593	3,432,591,269
Core capital (Tier 1)	4,703,504,868	3,421,687,751
Supplementary capital (Tier 2)	7,639,507,252	6,708,599,297
Total Capital	**12,343,012,120**	**10,130,287,048**
Total risk - weighted assets	7,369,804,061	6,395,169,866
Capital ratios		
• Total regulatory capital expressed as a percentage of total risk	167.5%	158.4%
• Minimum total capital to risk weighted assets requirement	14.5%	14.5%
Excess	153.0%	143.9%
• Total regulatory core capital to total risk weighted assets ratio	63.8%	53.5%
• Minimum core capital to total risk weighted assets ratio	10.5%	10.5%
Excess	53.3%	43.0%

5. Revenue from interest determined using effective interest rate

a) Interest income on loans and advances:

Primary Mortgage Lenders:		
- Mortgage lending	493,397,532	390,074,989

b) Other income

Interest income:		
- Financial assets at amortised cost	2,720,785,419	2,010,652,190
Other income	718,614	-
	2,721,504,033	2,010,652,190

6. Finance cost

Interest expense:		
- Subordinated debt and credit lines		
GOK/IBRD 8958-KE (Note Number 23)	510,700,564	478,253,715
GOK/AfDB 2000200004101 (Note Number 23)	429,055,536	361,455,735
- Debt securities in issue (Note Number 24)	115,235,022	175,000,003
- Lease liabilities	692,369	1,402,385
	1,055,683,491	1,016,111,838

Total interest expense for financial liabilities are measured at amortised cost.

7. Net movement in expected credit losses

	2024 KES	2023 KES
Loans and advances (Note Number 20)	(456,518)	840,717
Short-term bank deposits ((Note Number 21)	(239,024)	392,192
Cash at bank (Note Number 21)	(366,463)	121,647
Financial assets at ammortized costs (Note Number 19)	9,256	224,671
	(1,052,749)	1,579,227

The net movement in credit losses has been adjusted to account for credit losses previously written off leading to a net positive adjustment in 2024

8. Governance expenses

	2024 KES	2023 KES
Directors remuneration	9,928,600	9,576,000
Sitting allowance	6,156,000	7,695,000
Annual General Meeting expenses	739,480	787,752
Board evaluation	348,000	348,000
	17,172,080	18,406,752

9. Marketing expenses

	2024 KES	2023 KES
Public relations and advertisements	26,697,596	23,817,007

This balance relates to publicity and marketing initiatives including branding and stakeholder engagements.

10. Staff costs

	2024 KES	2023 KES
Salaries and wages	120,459,235	105,078,925
Pension costs:		
- Defined contribution scheme	6,797,910	5,880,801
- National Social Security Fund Company contribution	505,553	234,761
- Other post-employment benefits	15,558,729	12,734,422
Medical insurance	8,328,470	8,128,090
Other staff costs	7,186,672	2,565,940
	158,836,569	134,622,939

11. Administration expenses

	2024 KES	2023 KES
Conferences, seminars and workshops	61,309,073	42,634,840
Licenses and permits	2,327,680	2,385,443
ICT expenses	13,159,641	22,436,026
Telephone, postage and internet	2,328,484	2,369,442
Office running expenses	3,729,075	6,931,879
Consultancy fees	10,253,934	8,761,505
Insurance costs	7,105,520	6,093,338
Audit fees	2,099,600	1,429,700
Bank charges	550,798	545,542
Subscriptions	4,073,199	2,082,240
Corporate Social Responsibility	-	396,900
Motor vehicle running expenses	1,891,507	1,330,260
	108,828,511	97,397,115

Conferences, seminars and workshops expense includes Board capacity building expenses of KES 22,635,737

12. Other operating expenses

	2024 KES	2023 KES
Short term lease rentals	3,991,146	3,777,996
Electricity expense	941,515	962,613
Bond issuance costs	1,063,800	888,800
	5,996,461	5,629,409

Bond issuance costs relate to the annual expenses incurred on the KMRC Medium Term Note issued in 2022 and maturing on 23rd February 2029.

13. Depreciation and amortisation expenses

	2024 KES	2023 KES
Depreciation of property and equipment (Note Number 15)	13,023,571	14,497,377
Depreciation on right-of-use assets (Note Number 17)	8,103,714	8,103,714
Amortisation of intangible assets (Note Number 16)	1,292,405	2,762,755
Amortisation of financial asset at amortised cost (Note Number 19)	2,342,194	2,335,794
	24,761,884	27,699,640

14. Income tax

	2024 KES	2023 KES
(a) Income tax expense		
Current income tax	503,355,049	234,899,902
Deferred tax (income)/expense relating to the origination and reversal of temporary differences (Note 22)	(7,439,326)	(7,223,446)
Under provision in prior years on:		
- current tax	-	-
Income tax expense	495,915,723	227,676,456

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate of 30% (2023: 30%) as follows:

Profit before tax	1,817,977,722	1,075,463,252
Tax calculated at the statutory tax rate of 30% (2023: 30%)	545,393,317	322,638,976
Tax effect of:		
Expenses not deductible for tax purposes	-	14,681,604
Income not subject to tax	(49,477,594)	(49,471,199)
Under/(Over)-provision in prior years	-	(60,172,925)
Income tax expense	**495,915,723**	**227,676,456**
(b) Statement of financial position		
At 1 January	(122,136,511)	(77,824,477)
Current tax charge	503,355,049	234,899,902
Tax paid during the year		
- Balance of tax	-	-
- Installment tax	(180,042,079)	-
- Withholding tax	(47,394,913)	(279,211,936)
At 31 December	153,781,546	(122,136,511)

15. Property and equipment

	Motor vehicles KES	Computers KES	Office equipment KES	Furniture and fittings KES	Leasehold improvements KES	Total KES
Cost						
At 1 January 2023	18,575,844	27,770,383	5,222,879	11,970,000	27,880,141	91,419,247
Additions	-	3,314,179	-	259,889	-	3,574,068
Impairment	-	(411,220)	-	-	-	(411,220)
At 31 December 2023	18,575,844	30,673,342	5,222,879	12,229,889	27,880,141	94,582,095
At 1 January 2024	18,575,844	30,673,342	5,222,879	12,229,889	27,880,141	94,582,095
Additions	-	1,060,821	-	-	-	1,060,821
Disposals		(267,042)				(267,042)
At 31 December 2024	18,575,844	31,467,121	5,222,879	12,229,889	27,880,141	95,375,874
		31,467,121				
Depreciation						
At 1 January 2023	10,850,730	13,770,856	2,464,433	2,911,908	14,087,507	44,085,434
Charge for the year	4,545,977	7,271,160	1,044,576	1,192,048	4,597,545	18,651,306
At 31 December 2023	15,396,707	21,042,016	3,509,009	4,103,956	18,685,052	62,736,740
At 1 January 2024	15,396,707	21,042,016	3,509,009	4,103,956	18,685,052	62,736,740
Charge for the year	3,179,137	7,369,566	1,044,576	1,215,871	4,597,545	17,406,695
Depreciation charge on disposal		(238,298)				(238,298)
At 31 December 2024	18,575,844	28,173,284	4,553,585	5,319,827	23,282,597	79,905,137
Net book value						
At 31 December 2024	-	3,293,837	669,294	6,910,062	4,597,544	15,470,737
At 31 December 2023	3,179,137	9,631,326	1,713,870	8,125,933	9,195,089	31,845,355

The Net Book Value of the assets related to capital grants from the National Treasure is as broken down below:

-	56,617	203,791	-	-	260,408

The company has two motor vehicles that have been fully depreciated but are still in use

16. Intangible assets

	2024 KES	2023 KES
Software costs		
Cost		
At 1st January	16,365,435	16,365,435
Additions	1,300,000	-
At 31st December	17,665,435	16,365,435
Amortisation		
At 1st January	12,788,214	7,600,115
Charge for the year	3,717,750	5,188,099
At 31st December	16,505,964	12,788,214
Net book amount		
At 31st December	1,159,471	3,577,221

The above software cost relates to an Enterprise Resource Planning (ERP) currently in use by the Company as well as a KMRC Mobile app which was the addition in the year.

The management made a call based on best practice as well as the estimated useful life of the software, to amortize the software over a period of three years beyond which the Company does not anticipate to derive benefits from use of the system. An amortization rate of 33.33% has therefore been applied in regard to the ERP.

The net book value of the software relating to the grant from the National Treasury is KES 727.70 (2023: KES. 2,426,072)

17. Right-of-use-asset

	2024 KES	2023 KES
Cost at 1st January	48,622,282	48,622,282
Accummulated depreciation	(32,414,856)	(24,311,142)
Depreciation charge for the year	(8,103,714)	(8,103,714)
At 31st December	8,103,712	16,207,426

Under the previous accounting policy prepaid operating lease rentals were recognised at historical cost and subsequently amortised over the lease period.

The Company leases one office. The leases of the office is typically for periods of between 3 and 6 years, with options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

For information on the related lease liabilities, see Note 25.

18. Other assets

	2024 KES	2023 KES
Prepayments	4,445,264	4,796,805
Other receivables	872,361	1,128,763
Other assets	38,036	
HFC mortgage scheme deposit (see below)		
- Back up account	151,657,068	84,698,748
- Car Loan Scheme Account	7,742,187	7,820,786
- Unsecured Loan Scheme Account	45,152,205	-
	209,907,121	98,445,102

The Company has entered into an agreement with HFC Limited to operate a staff housing mortgage scheme.

The Company is required to deposit funds with HFC Limited for purposes of the scheme which will be held in the back up account, free funds account and any investment account.

Backup account is the Company's account that hold funds designated as committed for loans disbursed to eligible applicants from the Company.

Upon expiry of the agreement for the staff mortgage scheme, HFC Limited shall retain the funds in the backup account untill the loans are settled in full.

In 2024, the Company reclassified the Free Funds Account under the HFC Mortgage Scheme deposit from Other Assets to Cash and cash equivalents (Note 21). As a result, the 2023 comparative balances have been restated by KES 61,836,885 to ensure consistency and comparability.

19. Financial assets at amortised cost (government securities)

	2024 KES	2023 KES
At January 1	5,311,481,388	5,203,521,087
Amortisation	(2,342,194)	(2,335,794)
Interest paid (received)	(96,805,943)	6,735,849
Accrued interest	103,784,917	103,784,917
Expected credit losses on government securities	(233,927)	(224,671)
At 31st December	5,315,884,241	5,311,481,388

Expected credit losses on government securities	2024 KES	2023 KES
At 1st January	224,671	-
Expected credit losses for the year	233,927	224,671
At 31st December	458,598	224,671
Financial assets at amortised cost can be analysed as follows:		
Maturing within 5 years	990,841,294	1,000,000,000
Maturing after 10 years	1,486,803,218	1,500,000,000
Maturing after 15 years	2,838,239,729	2,811,481,388
	5,315,884,241	5,311,481,388

Treasury bonds are debt securities issued by the Government of the Republic of Kenya. The bonds are categorized as financial assets at amortized cost. The weighted average effective interest rates on government securities as at 31 December 2024 was 13.04% (2023: 13.04%).

The fair values of the financial assets are categorised under Level 1 based on the information set out in accounting policy 1(a).

Credit risk primarily arises from the changes in the market value and the financial stability of issuers of commercial bonds and investment funds.

Management monitors the credit quality of financial assets by:

- discussion at the management and board meetings; and

- reference to external historical information available;

The maximum exposure to credit risk as at reporting date is the carrying amounts of the financial assets as disclosed above.

20. Loans and advances

	2024 KES	2023 KES
(i) Gross loans and advances to PMLs at amortised cost	11,889,761,798	8,407,168,385
(ii) Less: expected credit loss	(1,188,976)	(1,645,494)
Net total loans and advances to customers	11,888,572,822	8,405,522,891

(i) **Loans and advances to customers at amortised cost**

	2024			2023		
	Gross amount KES	ECL provision KES	Carrying amount KES	Gross amount KES	ECL provision KES	Carrying amount KES
Primary Mortgage Lenders						
Mortgage lending	11,889,761,798	(1,188,976)	11,888,572,822	8,407,168,385	(1,645,494)	8,405,522,891

The impairment provision includes the following:-

		Provisions as per statutory regulations	ECL provisions as per IFRS 9	Transfer to/ (from) statutory loan reserves
Loans and advances to Primary Mortgage Lenders:				
Mortgages	2024	118,897,618	(456,518)	119,354,136
	2023	84,071,684	840,717	83,230,967

Statutory provisions are analysed as follows:	2024 KES	2023 KES
Stage 1	118,897,618	84,071,684
Stage 2	-	-
Stage 3	-	-
	118,897,618	84,071,684

All loans are at stage 1

The weighted average effective interest rate on loans and advances at 31 December 2024 was 5.6% (2023: 5.6%).

(ii) **IFRS 9 provisions**

Reconciliation from opening to closing balance of loss allowance for loans and advances to customers at amortised cost for 2024 is shown below; comparative amounts for 2023 represent total allowance account for credit losses under stages 1, 2 and 3.

	2024				2023
	Stage 1 12-month ECL KES	Stage 2 Lifetime ECL KES	Stage 3 Lifetime ECL KES	Total KES	KES
At start of the year	1,645,494	-	-	1,645,494	804,777
- Changes in the gross carrying amount:					
- Transfer to stage 1	-	-	-	-	-
- Net remeasurement of impairment provisions	(456,518)	-	-	(456,518)	840,717
- New financial assets originated or purchased	-	-	-	-	
At end of year	1,188,976	-	-	1,188,976	1,645,494

In the opinion of the directors, the carrying amounts of loans and advances to customers approximate their fair value

21 Cash and cash equivalents

	2024 KES	2023 KES
Short-term bank deposits held with the following institutions;		
- KCB Bank Kenya Limited	3,660,650,000	4,389,022,010
- HFC Limited	774,163,905	471,352,668
- Absa Bank Kenya PLC	2,304,000,000	2,152,699,309
- NCBA Bank Kenya PLC	5,631,789,922	1,081,772,410
- Cooperative Bank of Kenya Limited	2,130,000,000	1,000,000,000
Cash at bank and in hand	102,456,385	2,737,046,608
Accrued Interest	258,044,169	122,590,655
Expected credit losses on bank balances and short term deposits	(639,710)	(1,245,197)
	14,860,464,671	11,953,238,463

For the purpose of the statement of cash flows, cash and cash equivalents comprise as shown above:

The Company is required to deposit funds with HFC Limited for purposes of staff mortgage scheme. In 2024, the cash in the free funds account of the scheme has been integrated (2023: 61,836,885) as part of the cash in hand and cash at bank.

Impairment provision		
At start of the year	1,245,197	731,358
Changes short-term bank deposits	(239,024)	392,192
Changes relating to bank balances	(366,463)	121,647
At end of the year	639,710	1,245,197

The weighted average effective interest rate on short-term bank deposits at year-end was 14.16% (2023: 15.09%)

22. Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30%, which is the enacted rate applying from 1st January 2021, except for capital gains, for which the enacted tax rate of 5% is used (2023: 30% and 5%).

Deferred tax assets/(liabilities), and the deferred tax charge/(credit) in the profit and loss account and in other comprehensive income are attributable to the following items:

	At 1st January	Credited/ (charged) to profit or loss	At 31st December
	KES	KES	KES
Year ended 31st December 2024			
Property and equipment			
- on historical cost basis	9,234,398	6,095,820	15,330,218
Software	749,585	1,464,931	2,214,516
Right-of-use assets			
- accelerated tax depreciation	3,015,166	(2,397,888)	617,278
Lease liabilities	(7,557,006)	(3,878,528)	(11,435,534)
Financial asset at amortised cost	700,738	(700,738)	-
Provision for liabilities	8,487,767	6,855,729	15,343,496
Net deferred tax asset	**14,630,648**	**7,439,326**	**22,069,974**

Year ended 31st December 2023			
Property and equipment			
- on historical cost basis	1,774,836	7,459,562	9,234,398
Software	(806,845)	1,556,430	749,585
Right-of-use assets			
- accelerated tax depreciation	7,293,343	(4,278,177)	3,015,166
Lease liabilities	(5,115,207)	(2,441,799)	(7,557,006)
Financial asset at amortised cost	-	700,738	700,738
Provision for liabilities	4,261,075	4,226,692	8,487,767
Net deferred tax asset	7,407,202	7,223,446	14,630,648

23. Borrowings

	Interest rate	Repayment		2024 KES	2023 KES
		Start date	End date		
GOK/IBRD 8958-KE	4.5%	30/03/2024	30/03/2044		
-Subordinated debt				4,374,165,520	4,374,165,520
- Credit line				7,283,253,066	6,407,925,431
GOK/AfDB 2000200004101	4.5%	30/03/2027	30/03/2044		
- Subordinated debt				2,440,910,250	1,803,754,800
- Subsidiary loan				9,101,112,192	6,484,732,442
Accrued interest on both				2,531,760,032	1,592,003,932
				25,731,201,060	20,662,582,125

The Government of Kenya entered into a Loan Agreement for a line of credit for an amount of Euros 219,000,000 with the International Bank for Reconstruction and Development (IBRD) herein after called "the World Bank" on 5th December 2019. The Government of Kenya also entered into another Loan Agreement for a line of credit for an amount of Euros 90,000,000 with the African Development Bank (AfDB) on 2nd April 2020. Both loans were to undertake a project consisting of the support for establishment, capitalization and operationalization of the Kenya Mortgage Refinance Company; provision of financing by Government to the Company to be utilized as a line credit for providing the mortgage refinancing to the eligible participating financial institutions; and Technical Assistance. The exchange rate risk is born by the Government of Kenya.

The Government agreed under the Loan Agreements dated 26th February 2020 and 5th October 2020 to on-lend to the Company an amount of Euros 201,400,000 and Euros 90,000,000 from the proceeds of the two loans for the implementation of the Project as explained above.

The borrowings from the Government to KMRC are done in KES. Borrowings from the Government as at 31 December 2024 amounted to KES. 23,199,441,028 (2023: KES. 19,070,578,193). Interest payable of KES. 2,531,760,032 (2023: Kshs. 1,592,003,932) remained unpaid as at 31 December 2024. These amounts shall be accrued over the grace period/ disbursement period and will be capitalised on the first principal repayment date and the management expects to meet all contractual obligations in the future.

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant.

At the year-end, the Company had undrawn facilities which it may utilise to fund its obligations as shown below.

	AfDB	World Bank	TOTAL
	EUR	EUR	EUR
Loan	**90,000,000**	**210,200,000**	**300,200,000**
Sub-debt drawn down	18,000,000	35,000,000	53,000,000
Credit line drawn down	72,000,000	70,313,825	142,313,825
Total Drawn Down	**90,000,000**	**105,313,825**	**195,313,825**
Cancelled Facility	-	45,000,000	45,000,000
Undrawn Facilities	**-**	**59,886,175**	**59,886,175**

24. Debt securities in issue

	2024 KES	2023 KES
At January 1 2024	1,331,063,298	1,459,167,332
Interest on bond	108,876,791	107,292,396
Prior period adjustments	(28,272,736)	-
Repayments(Interest+ Principal)	(302,036,503)	(303,104,034)
Accrued interest payable	34,540,967	67,707,604
At December 31 2024	1,144,171,817	1,331,063,298

Debt securities in issue comprise of the below principal amounts;

- KES 1,109,630,850 (2023: KES 1,263,355,694) Medium Term Note issued in the year 2022 and has a maturity date of 23rd February 2029.

- Maturity analysis of principal amount		
Within one year	172,940,450	153,724,844
Later than one year but within three years	523,254,637	586,376,213
Later than three years but within five years	413,435,763	523,254,637
	1,109,630,850	1,263,355,694

25. Lease liabilities

	2024 KES	2023 KES
Lease liabilities		
At 31 December	14,662,432	23,511,777
The total cash outflow for leases in the year was:		
Payments of principal portion of the lease liability	11,545,473	10,583,350
Maturity analysis		
Within one year	10,583,350	11,545,473
Later than one year but within three years	-	10,583,350

For more information on the nature of the leases entered into and the related right-of-use assets, see Note 17.

26. Other Liabilities

	2024 KES	2023 KES
Trade payables	9,856,968	3,506,883
Accrued liabilities	31,182,711	26,811,068
Payroll liabilities	6,816,990	9,508,022
Other liabilities	-	718,586
Post-employment benefit obligation (Note 28)	45,967,010	30,644,561
Due to shareholders (Note 30)	345,818,100	345,818,100
	439,641,779	417,007,220

27. Share capital

Issued and fully paid up capital:		
At 1 January	1,808,375,125	1,808,375,125
Issue for cash	-	-
At 31 December	1,808,375,125	1,808,375,125

The total number of authorised ordinary shares is 50,000,000 (2023:50,000,000) with a par value of KES. 100 each.

28. Post-employment benefit obligation

The Company's obligation to pay terminal gratuities, based on employees' years of service and salaries at the balance sheet date is as follows:

	2024 KES	2023 KES
At 1 January	30,644,561	17,910,139
Additional provision made during the year, charged to profit or loss	15,322,449	12,734,422
At 31 December	45,967,010	30,644,561

29. Commitments under operating leases

The Company rents an office under operating lease. The lease is for an average period of six years, with variable rentals over the same period.

At year-end, the Company has outstanding commitments for minimum lease payments under non-cancellable operating leases that fall due as follows:

	2024 KES	2023 KES
	2024	2023
	KES	KES
Within one year	10,583,350	11,545,473
Later than one year but within five years	-	10,583,350
	10,583,350	22,128,823

30. Related party transactions

The National Treasury with the support of the World Bank established the Kenya Mortgage Refinance Company PLC (KMRC), a private Company that will refinance housing loans issued by eligible financial institutions in Kenya. The Company is related to eligible financial institutions through common shareholding and directorship.

The following transactions were carried out with related parties.

	2024 KES	2023 KES
i) Loans and advances		
Mortgages to Primary Mortgage Lenders		
ABSA Bank	2,590,796,217	2,811,565,001
Cooperative Bank	308,151,020	389,781,503
Credit Bank	44,082,124	46,733,810
HFC Bank	774,332,730	928,923,523
KCB Bank	1,927,572,473	1,515,465,073
NCBA Bank	807,855,321	860,096,965
Qona Sacco (Formely Safaricom Sacco)	215,038,083	55,854,342
Stanbic Bank	3,518,977,235	936,630,689
Stima Sacco	758,617,870	474,552,066
Tower Sacco	207,872,681	21,137,703
Apstar Sacco (Formely Ukulima Sacco)	199,971,560	138,475,312
Unaitas Sacco	536,494,483	227,952,398
Less: expected credit loss	(1,188,976)	(1,645,494)
TOTAL	11,888,572,822	8,405,522,891
ii) Due to related parties (Note 26)		
At 1st January	345,818,100	346,012,910
Amounts capitalised during the year	-	(194,810)
At 31st December	345,818,100	345,818,100

The amounts due to shareholders are unsecured, interest free and have no fixed repayment period.

iii) Key management compensation		
Salaries and other employment benefits	112,337,097	95,095,428
Post-employment benefits	21,733,492	18,136,086
	134,070,589	113,231,514
iv) Directors' benefits and other remuneration		
- Fees	9,928,600	9,576,000
- Allowances	6,156,000	7,695,000
	16,084,600	17,271,000

31. Other reserve

At January 1	7,098,349	13,934,635
Amortisation	(6,808,469)	(6,836,286)
At January 31	289,880	7,098,349

Other reserve relates to capital grants received from the National Treasury.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 6 th ANNUAL GENERAL MEETING of KENYA MORTGAGE REFINANCE COMPANY PLC ("the Company") will be held on THURSDAY 26 TH JUNE 2025 via electronic communication from 10:00 am to transact the following business:

1. To table the proxies and note the presence of quorum.
2. To read the notice convening the meeting.
3. To table the Chairperson's Report.
4. To receive, consider and, if thought fit, adopt the audited financial statements for the year ended 31st December 2024, together with the Directors' and Auditors' reports thereon.
5. Retirement and re-election of Directors:

   To re-elect the following Directors who are retiring by rotation and who, being eligible, offer themselves for re-election in accordance with Articles 31 and 32 of the Company's Articles of Association:

   i. Mrs. Annastacia Kimtai
   ii. Mrs. Jane Mwangi

6. To approve the re-appointment of Messrs. Grant Thornton LLP, having expressed their willingness, to continue in office as auditors of the Company in accordance with the provisions of Section 721 of the Companies Act No. 17 of 2015 and to authorise the Directors to fix their remuneration
7. To transact any other business which may legally be transacted at an Annual General Meeting and for which due notice has been received in accordance with the Company's Articles of Association.

BY ORDER OF THE BOARD

DR. HARON SIRIMA, OGW
CHAIRMAN OF THE BOARD
2nd June 2025

NOTES:

1. KMRC will conduct its 6th AGM via electronic communication. A member may attend the meeting at such location as the member chooses through the video-conferencing facilities to be provided by the Company for this purpose. Access details for the videoconferencing facilities shall be provided to each member prior to the date of the meeting. The video-conference may be recorded.
2. A member entitled to attend and vote at a meeting is entitled to appoint any other person to vote instead of the member. The instrument appointing the proxy must be delivered to the Company Secretary not less than forty-eight (48) hours before the meeting.

APPOINTMENT OF PROXY

We....., of P.O. Box ....., being a shareholder of **KENYA MORTGAGE REFINANCE COMPANY PLC,** appoint ..... of email address..... and/or ..... of email address..... as our proxy to vote on our behalf on any matter proposed at the **6TH ANNUAL GENERAL MEETING** of the shareholders to be held on THURSDAY 26TH JUNE 2025 or at any adjournment of that Meeting, in such manner as our proxy shall think proper, and if expedient to demand a poll.

Dated ..... day ..... of 2025.

SIGNED BY THE DULY AUTHORIZED REPRESENTATIVE OF

.....

Authorized Signatory .....

NOTES

KMRC

KENYA MORTGAGE REFINANCE COMPANY

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