KMRC
KENYA MORTGAGE REFINANCE COMPANY

www.kmrc.co.ke

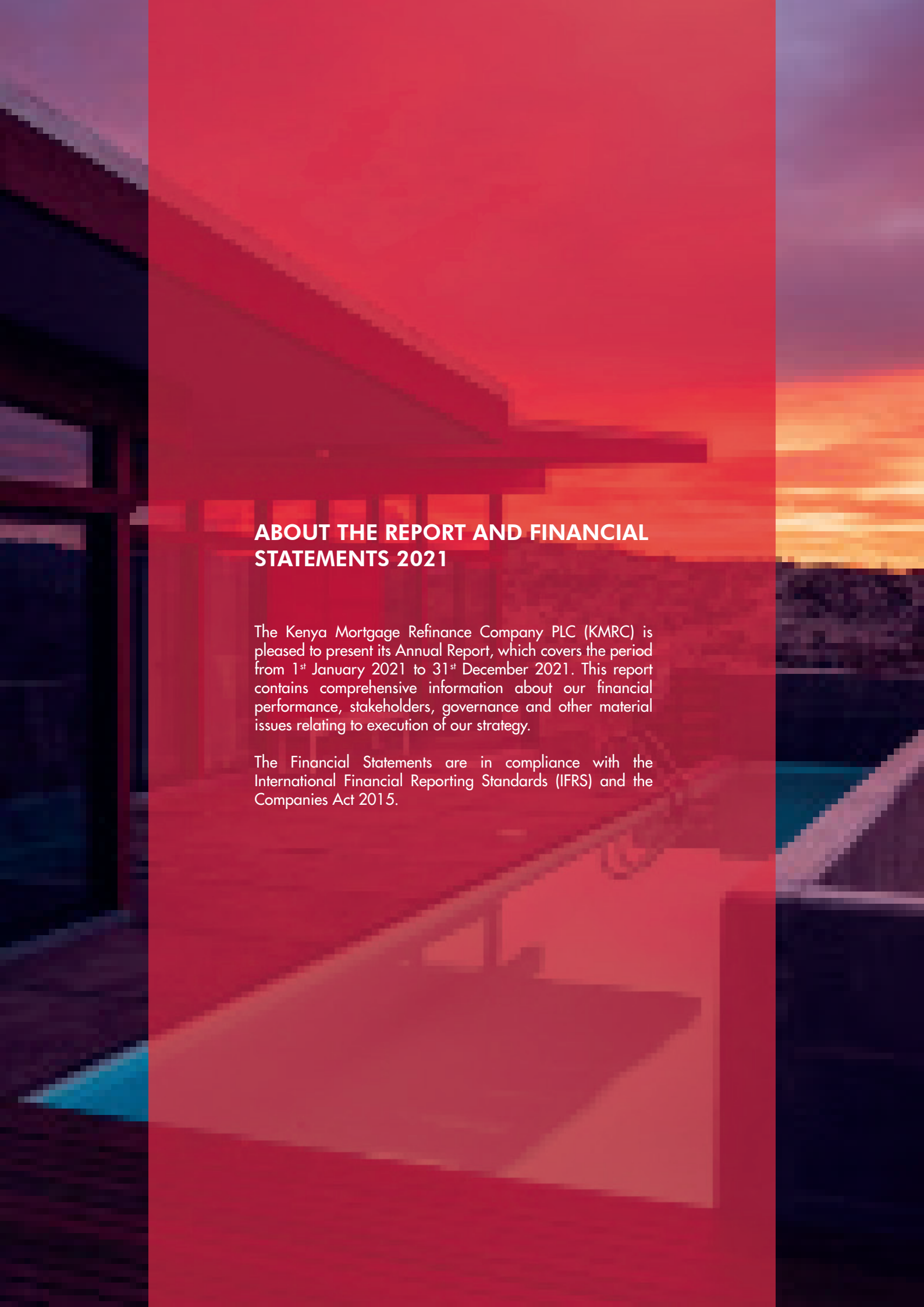
2021 ANNUAL REPORT

Unlocking Liquidity for Affordable Housing

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



ABOUT THE REPORT AND FINANCIAL STATEMENTS 2021

The Kenya Mortgage Refinance Company PLC (KMRC) is pleased to present its Annual Report, which covers the period from 1st January 2021 to 31st December 2021. This report contains comprehensive information about our financial performance, stakeholders, governance and other material issues relating to execution of our strategy.

The Financial Statements are in compliance with the International Financial Reporting Standards (IFRS) and the Companies Act 2015.

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KMRC AT A GLANCE

VISION

To be the premier housing refinance company driving development and growth of housing finance in Kenya.

MISSION

To increase accessibility and affordability of housing loans in Kenya by providing long term financing to primary mortgage lenders.

CORE VALUES

Collaboration - We are committed to working with primary mortgage lenders, the Government of Kenya, development finance institutions and other stakeholders to develop and grow the housing market.

Integrity - We are committed to adhering to high ethical and moral principles ensuring transparency and trustworthiness in our operations.

Innovation - We are committed to continuous improvement in our product offerings, the way we work and the professional development of our staff.

Efficiency - We are committed to striving for maximum impact by effectively minimising waste through developing dynamic and relevant policies and procedures.

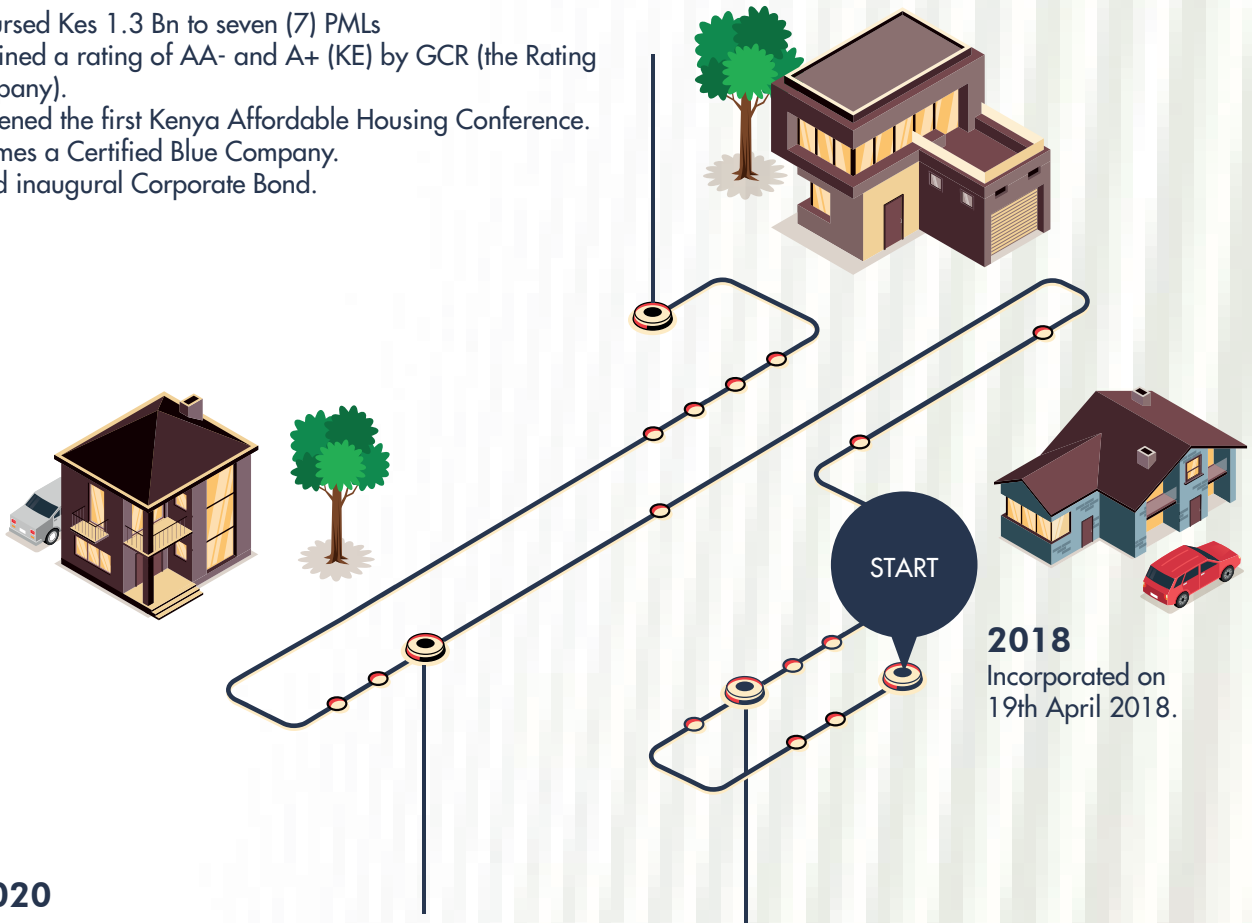
STRATEGIC OBJECTIVES

- To provide liquidity financing to PMLs
- To promote the development of improved mortgage lending practices within PMLs
- To support developments in the housing market
- To raise long term finance efficiently and sustainably
- To develop and optimize the institutional capacity of KMRC

KEY MILESTONES

2021

- Disbursed Kes 1.3 Bn to seven (7) PMLs
- Obtained a rating of AA- and A+ (KE) by GCR (the Rating Company).
- Convened the first Kenya Affordable Housing Conference.
- Becomes a Certified Blue Company.
- Issued inaugural Corporate Bond.



2018

Incorporated on 19th April 2018.

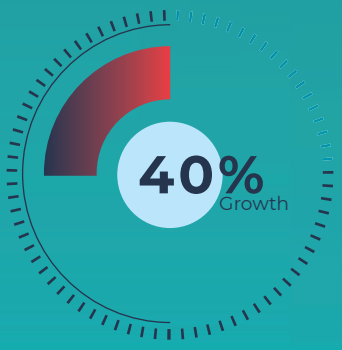
2019

Completed a successful capital mobilization drive resulting in the Government of Kenya, eight commercial banks, one microfinance bank and eleven SACCOs becoming shareholders of the Company.

2020

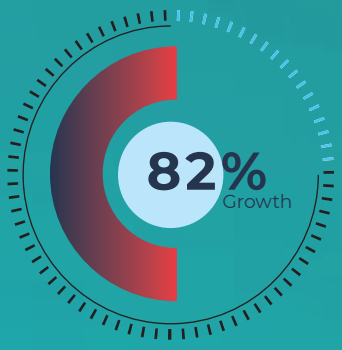
- Held first Annual General Meeting.
- Received License from the CBK.
- Approved Kes 2.75 Bn of eligible pipeline for refinancing from the PMLs.
- Two DFIs (Shelter Afrique and IFC) became shareholders
- Achieved Standardization of Mortgage Underwriting processes for participating SACCOs.
- Implemented a robust Mortgage Refinance System.

2021 FINANCIAL PERFORMANCE HIGHLIGHTS



Share Capital
1,808 Kes (Mns)

Total Assets
9,824 Kes (Mns)



Borrowings
6,772 Kes (Mns)

Net Interest Income
464 Kes (Mns)

Profit After Tax
197 Kes (Mns)

Lending to PMLs

KMRC
KENYA MORTGAGE REFINANCE COMPANY

(PLC-LXSM9G)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 3rd Annual General Meeting of **KENYA MORTGAGE REFINANCE COMPANY PLC** ("the Company") will be held on **Thursday 30th June 2022** through video-conferencing 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 Statement
4. To receive, consider and, if thought fit, adopt the audited financial statements for the year ended 31st December 2021, together with the Directors' and Auditors' reports thereon
5. Retirement and Re-election of Directors:
   (a) To note the retirement of Mrs. Sarah Bonaya as a Director of the Company, who does not offer herself for re-election
   (b) To re-elect the following Directors 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. Mr. Asman Khatolwa
      ii. Mr. Samuel Makome
6. To approve the re-appointment of Mazars Kenya, 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

BY ORDER OF THE BOARD

GODWIN WANGONG'U
Company Secretary
2nd June 2022

NOTES:

1. *A member entitled to attend and vote at a meeting is entitled to appoint any other person to vote instead of him. The instrument appointing the proxy shall be in the form annexed hereto and must be delivered to the Company Secretary, through the Company's registered address or through email address CEO@kmrc.co.ke, at least forty-eight (48) hours before the meeting.*
2. *KMRC will conduct its 3rd AGM via video-conferencing. A member may attend the meeting at such location as he/she chooses through the video-conferencing facility to be provided by the Company for this purpose. Access details for the video-conferencing facilities shall be provided to member prior to the date of the meeting. The video-conference may be recorded.*
3. *In accordance with the provisions of Article 31(10) and (11) of the Articles of Association of the Company, a person seeking election as a Director at the AGM should deliver to the Company Secretary, through the Company's registered address or through email address CEO@kmrc.co.ke (copy to gwangongu@lexgroupafrica.com), by 23rd June 2022 at 12 noon, a notice in writing signed by a Shareholder duly qualified to attend and vote at the meeting, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected. The person so nominated will be required to submit a signed Consent to that effect in a format to be availed.*
4. *A poll may be conducted for the resolution of election of Directors. If so, the results thereof will be circulated to Shareholders within three (3) days following conclusion of the AGM.*

Overview

The Kenya Mortgage Refinance Company (KMRC) is a non-deposit taking financial institution established in 2018 under the Companies Act 2015. Its mandate is to provide long-term funds to primary mortgage lenders (PMLs) for purposes of increasing availability of affordable home loans to Kenyans. KMRC is providing concessional, fixed, long term finance to the primary lenders who include Banks and Saccos so that they can transfer the same benefits to 'wananchi', making home loans more accessible to especially the moderate to low income earners in the country.

By increasing the supply of affordable housing finance, KMRC is a key lever in the push to increase homeownership in Kenya. It is supporting the Affordable Housing Pillar of the Governments Big 4 Agenda, primarily on the demand side. Noting that Kenya's mortgage market remains underpenetrated, relative to the potential demand for home ownership, KMRC recognizes the upside potential and the downside risks of facilitating home ownership to the moderate to low income earners.

As a wholesale financial institution, KMRC has a development 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.

As a public private partnership (PPP), KMRC has a strong and diverse shareholding which includes the Government of Kenya represented by the National Treasury with about 25% ownership, and a mix of private sector players owning the remaining 75%.

KMRC is under the primary supervision of the Central Bank of Kenya (CBK), with the Capital Markets Authority of Kenya (CMA) providing oversight over its bond issuance operations.

KMRC's shareholders:

25%

Government of Kenya
through the National Treasury

23%

Development Finance Institutions

- IFC
- Shelter Afrique

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44%

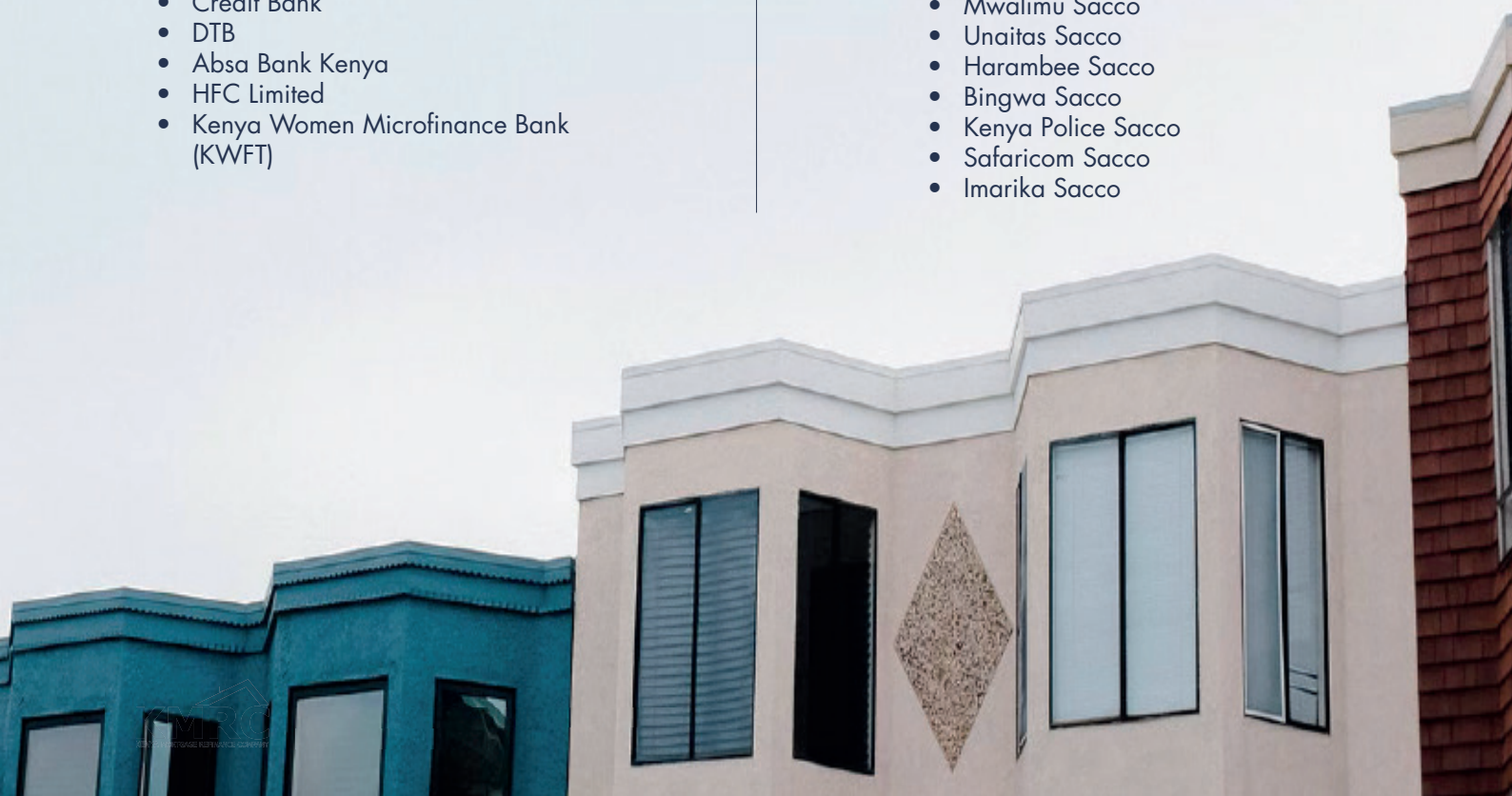
Banks

- KCB Bank
- Co-operative Bank
- Stanbic Bank
- NCBA
- Credit Bank
- DTB
- Absa Bank Kenya
- HFC Limited
- Kenya Women Microfinance Bank (KWFT)

8%

Saccos

- Stima Sacco
- Imarisha Sacco
- Ukulima Sacco
- Tower Sacco
- Mwalimu Sacco
- Unaitas Sacco
- Harambee Sacco
- Bingwa Sacco
- Kenya Police Sacco
- Safaricom Sacco
- Imarika Sacco



AFFORDABLE Home LOANS

powered by KMRC

Corporate Information

Principal place of business

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

Registered office

National Treasury Building,
Harambee Avenue,
P.O. Box 30007 - 00100, Nairobi

Company Secretary

Mboya Wangong'u & Waiyaki Advocates
Lex chambers
Maji Mazuri Rd, North
P.O. Box 74041 - 00200, Nairobi

Principal bankers

- KCB Bank Kenya Limited, Moi Avenue,
  P.O Box 48400 – 00100, Nairobi
- Cooperative Bank of Kenya, Moi Avenue,
  P.O Box 48231 – 00100, Nairobi
- NCBA Bank Kenya PLC NCBA Centre,
  P.O. Box 44599 - 00100, Nairobi
- ABSA Bank Kenya Absa Towers, Loita Street
  P.O. Box 46661 - 00100, Nairobi

Independent Auditors

MAZARS
Certified Public Accountants (K)
3 Floor, The Green House, Ngong Road
P.O. Box 61120 - 00200, Nairobi

Board of Directors

DR. HARON SIRIMA, OGW
Chairman

MS. SUSAN MAIRA
Independent Director

MR. SAMUEL MAKOME
Member, Representing Banks

MR. ROBERT KIBAARA
Member, Representing Banks

MR. ASMAN KHATOLWA
Member, Representing Saccos

MS. SARAH BONAYA
Independent Director,

MR. JOHNSTONE OLTETIA
CEO and MD

Chairperson's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am delighted to present the Annual Report for the year ended 31st December 2021 highlighting the Company's performance and milestones during the year. We continue to build on the foundations on which the Company can grow sustainably. In 2021, the Kenyan economy grew at 7.5 percent following a modest 0.3 percent contraction in 2020 on the back of easing of Covid-19 restrictions, targeted economic stimulus intervention by the Government and sustained implementation of macro-economic policies. The strong momentum is expected to continue in 2022.

The disruption of global trade and finance from the war in Eastern Europe poses new risks in the local business environment. In recent months, we have observed inflationary pressures attributed to rise in global oil, food, and fertilizer prices compounding the effects of drought experienced in the country. However, the economy remains resilient to these external shocks. Kenya's flexible exchange rate serves the economy well in cushioning the impact of global shocks and maintaining competitiveness. Foreign exchange reserves are expected to remain adequate.

Performance

Turning to the 2021 results, KMRC closed the year on a high note having reported a net income of Kes. 285 million for the year, compared to Kes. 101 million in 2020. This was driven by strong growth in investment income and disbursements to the primary mortgage lenders of over Kes 1.3 billion. The impressive results have been achieved in just a little over a year of licensing of the Company by the Central Bank of Kenya. We expect the performance of KMRC to continue on an upward trajectory anchored on a robust business strategy with a mission to deliver affordable housing to wananchi.

During the year 2021, we enhanced stakeholder engagements and magnified the Company's presence in the market through public awareness initiatives which have been integral in reinforcing the public's understanding of our mandate. Our Management Team has continued to ensure that customers are kept informed and involved in our business. The team's efforts have been truly remarkable, and the Board is very appreciative of all the work well done.

The building of a bankable and sustainable inventory of long-term capital is at the core of our mission of making housing affordable for our people. As such, we commenced the journey in mid-2021 of raising funds in the Capital Markets through issuance of the inaugural Corporate Bond and successfully finalized the process earlier in 2022. We fulfilled all regulatory requirements and received the Capital Markets Authority (CMA) approval to issue a Medium-Term Note Program, through which we seek to raise up to Kes 10.5billion in various tranches.

The program's first tranche, which targeted to raise Kes 1.4billion, attracted a 480% subscription rate and a total performance rate of 579.6%. This impressive performance symbolizes the high level of investor confidence in our quest to build the Company's issuer credentials. This huge achievement on our debut Corporate Bond issue is a milestone for both KMRC and the country's capital markets. It signifies a recovery of the corporate bond market and evidence of stakeholder confidence in our business. The Bond was listed at the Fixed Income Segment of the Nairobi Securities Exchange (NSE), a step that further provides greater visibility and enhance brand recognition of KMRC, increases the Bond's liquidity, and provide investors an opportunity to buy and sell the Bond before maturity.

Corporate Governance

The Board continues to uphold strong corporate governance principles in performing its oversight role. We have continued to adhere to the CBK Corporate Governance Requirements as well as the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015. We commit to protect our shareholders' interest and maintain the Company's reputation in the market.

At the moment, the Board comprises six non-executive Directors and an executive director who is the Chief Executive Officer. The process of appointing a director representing the two Development Finance Institution's is currently ongoing. Our three Board Committees (Audit, Credit & Risk and Finance Planning & Human Resources) as constituted in 2019, continue to deliver their oversight responsibilities.

Regular Board evaluation is a vital element in maintaining high standards of corporate governance and board effectiveness. This is also part of regulatory requirements for the Company to continue to effectively execute its mandate. As a result, we conduct regular Board evaluation exercises for all the Board members, in order to fulfil this requirement. Board evaluations are expected to enhance the efficiency of Board operations and encourage collaborative decision making and high performance by individual Directors.

> "We shall engage and listen closely to our customers to meet their needs and create value to the shareholders"

Climate Related Risk Management

Tackling climate change is a key priority of KMRC as Environmental Social Governance (SGC) continues to take center stage around the world. We recognize that nurturing and encouraging a climate action culture in the Company is fundamental. In fact, our guiding principle of acting responsibly is to take a long-term view and play our part in enabling sustainable progress, to the benefit of our stakeholders and society at large.

In 2021, the CBK issued guidance on Climate Related Risk Management aimed at providing direction to financial institutions on better management of climate-related risks by integrating them into their business decisions and activities. The guidance provides institutions with a roadmap to integrate climate-related risks in their decision-making frameworks, and indeed KMRC's lending operations are fully informed by the framework.

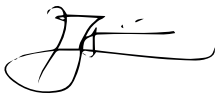
Indeed KMRC is already a step ahead following implementation of its E&S policy, which is helping the Company manage its exposure to environmental and social (E&S) risks, in support of our Vision of increasing accessibility of affordable home loans in Kenya. As part of ensuring transparency in our activities and making adequate disclosure of the E&S Policy, we have made the document publicly available and accessible by publishing it on our website. The Company will endeavor to engage stakeholders on E&S to ensure that their understanding of the policy is optimal.

Further, as we continue to raise additional funding through the capital markets, the Company is keen to issue Green Bonds in the near term in line with the Kenya Green Bonds Programme to encourage development of affordable green housing in Kenya. We are on course to host a capacity building program that is expected to enrich the Board and Management expertise in this area and at the same time ensure regulatory compliance.

Looking Ahead

Whereas there are emerging risks in the business environment, the resilience of the Kenyan economy provides opportunities. We shall engage and listen closely to our customers to meet their needs and create value to the shareholders. The Company will leverage on the solid financial base to scale up refinancing of eligible mortgage portfolios from the primary mortgage lenders. We shall continue to enhance our visibility in the Kenyan housing finance market to remain a mortgage re-financier of choice.

As we close another year of change and progress, the Board of Directors recognizes the role of the CEO for his steady leadership and the management and staff for their commitment and dedication to the ideals of the Company. We extend our appreciation to our shareholders for their continued support and thank our customers for the opportunity to serve them.



Dr. Haron Sirima, OGW
Chairperson

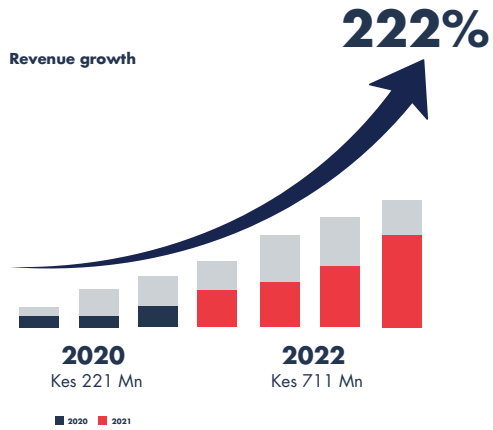
CEO's Report

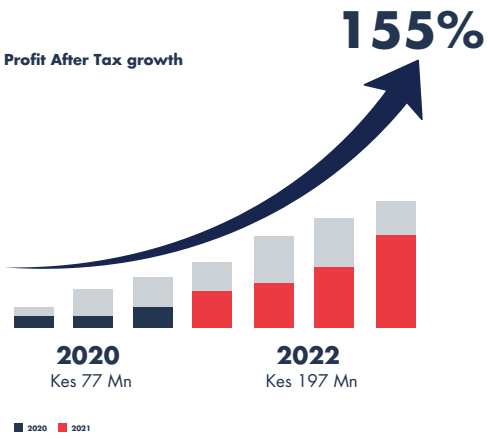
Overview

In 2021 KMRC intensified its progress towards meeting its midterm and long-term targets. We accelerated long term funding to the Primary Mortgage Lenders (PMLs), amplified our presence in the market through increased public awareness campaigns, further enhanced capacity development of PMLs on our product offering and commenced the process of raising additional funds through issue of a corporate bond. In spite of this, conditions in the market continue to be challenging due to the ongoing Covid-19 pandemic. However, as we cope with the unending pandemic, the safety and wellbeing of our staff has been and continues to be our top priority.

Together with our partners, customers, and other key stakeholders we are working to overcome every challenge to ensure greater access for end consumer to decent and affordable housing. To this end, KMRC convened various stakeholder engagements including co-hosting the inaugural Affordable Housing Summit on Demand and Supply in December 2021. The successful summit provided opportunities for key stakeholders in the housing sector to share experiences, take stock of achievements, address challenges and provide practical solutions to home ownership gaps and recommend best practices for adoption. We documented key resolutions at the end, which are currently under implementation by the stakeholders. We are looking forward to making this an annual event and expanding the scope of discussions in order to positively impact the housing finance market in Kenya.

On the policy front, we are encouraged by the 2022/2023 budget statement by the Cabinet Secretary, National Treasury where Kes 12.3 Bn was allocated to KMRC and a further Kes 1.2 Bn allocated for construction of Social Housing Units. Other key allocations to the sector included Kes 5.9 Bn for the Kenya Informal Settlement Improvement Project-Phase II, Kes 1.1 Bn for the construction of Housing Units for the National Police and Kenya Prisons and Kes 700 Mn for the Kenya Urban Programme. This is a clear testament of Government continued support to the development of affordable housing in our country.





KMRC Credit Rating

KMRC is on sound footing and has good prospects, as rated by Global Credit Rating (GCR), in October 2021. GCR assigned KMRC a national scale credit rating of AA- and A1+, in the long and short-term respectively, with a stable outlook. Notwithstanding a short track record, the

rating reflects the Company's robust capitalization, sound risk profile, stable funding, and strong liquidity levels. We will leverage on this favorable rating to build our track record as a frequent issuer of corporate bonds.

KMRC Certified Blue Company

KMRC became a Certified Blue Company, an initiative that is geared towards helping to create a corruption-free business environment in East Africa. We are committed to ensuring and maintaining the highest ethical standards and levels of integrity in carrying out our business. Corruption hampers innovation, increases inequality and poverty, negates accountability, distorts, and exploits public investments and generally breeds a poor corporate culture.

We will encourage our stakeholders to equally promote and understand the importance of good governance, seeing that the fight against corruption is critical to the achievement of Kenya's development priorities.

Performance Review

From the financial perspective, we finished strong in 2021, delivering higher revenue with growth of 222% to Kes 711 Mn from Kes 221 Mn in 2020. This was mainly driven by interest income on loans and advances to primary mortgage lenders and income from financial assets. Profit after tax (PAT) grew by 155% to Kes 197 Mn from Kes 77 Mn in 2020. The higher profits were driven by higher revenue, as well as lower operating expenses because of cost optimisation initiatives. The impetus to lower our costs is clear given that we operate a low-margin business. We streamlined our operations so that its lean, sharp, and efficient in procurement in order to obtain best-in-class service from our contractors and suppliers.

Some of the other notable milestones during the year included processing loan applications from twelve primary lenders and consequent disbursement of Kes 1.3 Bn to seven lenders. KMRC also accessed more funding from the World Bank and African Development Bank (AfDB) through the National Treasury in form of subordinated debt and credit lines. We also helped achieve standardization of mortgage origination practices for participating Saccos, an accomplishment that is expected to revolutionize mortgage lending to Saccos and increase loan processing efficiency. Further, the Company commenced the process of issuing its inaugural bond in mid-2021 and concluded in March 2022. We issued the First Medium-Term Note (MTN) Program in February 2022, seeking to raise Kes 10.5 Bn in multiple tranches. The first tranche of Kes 1.4 Bn netted applications worth Kes 8.114 Bn, which was a 480 percent oversubscription rate. The massive success of this first issue was without a doubt, a resounding validation of our business model and strategy by investors.

The expensive funds raised from the capital market will be blended with our inventory of concessional resources from World Bank and AfDB in order to reduce the weighted average cost of funds and as a result, maintain our affordability objective. The huge success of this inaugural issue will also provide KMRC with a positive track record, which is critical for opening the door to what will be an active pipeline of future bond issues.

Executing Our Strategy

Our focus on executing the KMRC 2020-24 corporate strategy has remained relentless. The Strategy is embedded into every aspect of our business and, together with the talent and engagement of our teams, we have defined who we are and how we will be going forward. We believe that the strategy is our first step towards sustainability. The Plan underscores the Company's Vision, Mission and Core Values and outlines our short and medium-term priorities. We are guided by five strategic priorities that are focused on ensuring that diversity and inclusivity form the basis of our operations. We place greater emphasis on our core mandate of providing long term funds to the Primary Mortgage Lenders in order to catalyse growth of home loans in Kenya and positively transform lives.

The Strategic Plan is currently at the implementation mid-point, for which a mid-term review will be conducted within the year to gauge our progress against the key performance indicators, comprising financial and non-financial targets. We continue to live our purpose and work tirelessly to operate KMRC and deliver for all our stakeholders.

Our People and Culture

In KMRC, our staff are the most valuable asset of the Company and key to our success. We embrace and build a diverse workforce that brings together the best of multiple generations, cultures, skillsets and thinking. We firmly believe that an inclusive culture is key to our business success.

We do recognize that success in any business relies largely on customer satisfaction and for this to be actualized, it is integral to prioritize satisfaction of employees, who are the Company's internal customers. We are convinced that when our employees see, hear, and feel the alignment between Company purpose, strategy, values, culture and leadership behaviour, there will be a positive effect on their engagement and performance, and this will consequently culminate into fulfillment of our stakeholders' interests.

KMRC performance is delivered by investing effectively not only in our business, but also in our people. We remain committed to attracting, developing, retaining, and providing leadership opportunities to all our people. We invest in programs and initiatives that are geared towards our people's growth and development, in addition to helping them realize effective work-life integration. These include a strong focus on developing management capabilities, training opportunities to address skills gaps, support for mental health and wellbeing, coaching and mentorship, as well as health and safety measures.

We strive to achieve a business model driven by a combination of teamwork, innovation, talent, creativity, dynamism, efficiency, and flexibility, and entrench a culture that pushes boundaries beyond comfort zones. To achieve this, we shall continue to build an inclusive workplace that harnesses the expertise and passion of our employees, rewards high performance while at the same time building on the values of the Company.

Contributing to a more sustainable business environment
Our mission as a Company is to drive development and growth of housing finance in Kenya; this covers the work we do for our clients and how we impact the communities we live in and do business. We are committed to thriving together with our communities and impacting them through direct investment towards enhancing their livelihoods, with initiatives cutting across health, education, and environmental sustainability.

KMRC has joined the rest of the corporate world to support global efforts to adopt to and mitigate against climate change in ensuring sustainability which is an important element of our long-term strategy.

> "We are committed to ensuring and maintaining the highest ethical standards and levels of integrity in carrying out our business."

On April 8, 2022, we engaged local communities in a massive tree planting program to mark our Corporate Social Investment at Enkipai primary and secondary schools and Olmeoshi primary school within the greater Mau Ecosystem in the Maasai Mara. We planted over 300 trees comprising a variety of indigenous and fruit trees in the three schools. This intentional choice of activity forms part of the Company's continuous efforts to contribute towards achieving the global threshold of 10% forest cover in Kenya and realization of net zero emissions of greenhouse gases by 2050. The initiative also included an educational element for the schools' students who will not only be responsible for the trees' sustenance, but also nurture their environmental knowledge and skills, necessary to address complex environmental issues in their surroundings.

We will continue to engage our internal and external stakeholders to help drive responsible finance and ethical business conduct in our operations. We will also leverage on partnership opportunities to ensure that as KMRC grows, we stand ready to alleviate the complex social, economic, and environmental challenges in our communities.

Focus Areas in 2022

Looking ahead, we will further accelerate disbursement of long-term funds to primary mortgage lenders in order to increase the availability of affordable home loans to Kenyans. We plan to more than double disbursement to primary mortgage lenders during the year in order to increase generation of new portfolio of affordable home loans and as a result accelerate supply of affordable housing.

We shall prioritise our core values of integrity, innovation, collaboration, and efficiency above all other considerations. Those values constitute one of our greatest strengths.
We will strengthen our commitment to catalyse development and growth of affordable housing finance in Kenya by fostering thought leadership and leveraging on strategic partnerships to advocate for improvements in the housing finance value chain.

We will continue to invest in our communities and promote more sustainable and inclusive growth. This will be guided by the need to have our operations and professional conduct driven by good governance, compliance, and ethical business practices.

Housing finance inclusion is important to us. In this regard, we will leverage on our partnership to support development of alternative credit assessment tools to enable people who do not have a regular income and small and medium enterprises (SME) to access home ownership. Development of digital credit assessment tools will enable primary lenders to determine credit worthiness of households with no defined or regular income.

We will inspire our people, by motivating them and giving them real chances to develop their careers at KMRC. We have created an environment in which our staff can fully utilise their talent, put their ideas forward and participate in decision-making. We want motivated, capable, and independent professionals who are always willing to bring their full capabilities to the task at hand.

Going forward, our growth is predicated on the Refinancing of eligible portfolio from the primary lenders, in which we are beginning to see good traction. We look forward to greater partnership with the lenders who are also part of our shareholders so that we can have another successful year in 2022.

We greatly appreciate the support and guidance of our Board of Directors, the Management, and staff unrelenting effort in helping the Company to achieve its objectives and our strategic partners, clients and other key stakeholders for believing in KMRC.

Johnstone Oltetia
CEO and MD

Management Team

Front Row (L-R): Geofrey Mwaura - Head of Credit, Florah Muthaura - Head of Risk and Compliance, Johnstone Oltetia - Chief Executive Officer and Deborah Masara- ICT Manager.

Back Row (L-R): Olive Gitau – Head of Internal Audit, Gideon Rutto - Procurement and Logistics Manager, Erick Wambua- Finance Manager, Irene Kadima - Communications Officer, Elisha Nyikuli - Head of Legal Services, and Daniel Saruni - Head of Human Resources and Administration

Corporate Governance

Introduction

KMRC's Board of Directors continues to adopt high standards and to apply strict rules of conduct, based on the best corporate governance practices, which have been key to the success of the Company's business. The Board is unreservedly committed to apply values and principles necessary to ensure good governance practices are upheld while conducting business with the Company's customers, shareholders and general stakeholders. As part of this commitment, the Board continues to embrace the following principles:

i. Observing high standards of ethics and moral behaviour that is universally recognised and accepted to be correct and proper as well as encouraging KMRC employees to maintain personal integrity and honesty

ii. Acting in the best interests of the Company and recognizing the legitimate interests of all stakeholders

iii. Ensuring the Company acts as a good corporate citizen

Board Composition

The constitution of the KMRC board provides a diverse skill set, experience and expertise for the strategic and insightful governance of the Company and to achieve compliance with regulatory requirements. The Board is composed of members with sound professional standing, and business acumen enough to drive the Company with integrity and a zealous commitment to the vision, mission and to the right strategic direction

The Board boasts of a collective vast experience demonstrated by the varied professional backgrounds and work experiences ranging from Banking, Accounting, Finance and Investment, Economics, Law, Operational Management, I.T., Leadership & Audit among others. This collective experience offers a superior skill mix that uniquely positions the Board in the discharge of its responsibilities and in providing strategic direction and vision for the Company.

The Board adheres to a strict calendar of meetings both for the Committees and the main Board once every quarter and therefore holds four (4) meetings a year.

The members of the Board in the year ended 31st December 2021 and their attendance of the Board meetings held were as follows:

No.	Name	Position	Meetings attended
1.	Dr. Haron Sirima	Chairperson	4
2.	Mrs. Sarah Bonaya	Non-Executive, Independent Director	4
3.	Mrs. Susan Maira	Non-Executive, Independent Director	4
4.	Mr. Asman Khatolwa	Non-Executive, Representing Saccos	4
5.	Mr. Robert Kibaara	Non-Executive, Representing Banks	4
6.	Mr. Samuel Makome	Non-Executive, Representing Banks	3
7.	Mr. Johnstone Oltetia	CEO & MD	4

Board Committees

The Board discharges its responsibilities through Board Committees appointed from amongst its members. The Board has three (3) committees as highlighted below:

a) Board Audit Committee

The mandate of the Board Audit Committee (BAC) is to help the Board fulfil its oversight responsibility by providing assurance on the efficiency and effectiveness of the systems of Governance, Risk Management, and Internal Control as well as the integrity of Financial Reporting. The BAC achieves this by providing oversight over the work of the Internal and External Audit functions.

The Internal Audit function provides independent, objective assurance and consulting services, designed to help the Company accomplish its objectives, improve its operations, protect its assets, reputation, and sustainability. The BAC ensures that the independence and objectivity of the Internal Audit function is maintained through functional reporting to them.

The integrity of financial reporting to Shareholders is protected through Board oversight and responsibility oversight from the Audit Committee. The BAC oversees the independence and performance of the External Audit function by reviewing and approving the external audit plan and engagement and reviewing the statutory financial reports for recommendation to the Board.

The Board Audit Committee members and meetings held in the year under review were as follows:

No.	Name	Position	Meetings attended
1.	Mr. Asman Khatolwa	Chairperson	4
2.	Ms. Susan Maira	Member	4
3.	Mr. Samuel Makome	Member	3
4.	Mr. Robert Kibaara	Member	4

All the members of the Audit Committee are Non-Executive Directors.

b) Credit and Risk Committee

The Board Credit & Risk Committee (BCRC) is tasked with the responsibility of setting and reviewing KMRC's risk policies and credit facilities granted by the Company. The BCRC is responsible for ensuring that a sound risk management program is in place for effective identification, measurement, control and monitoring of risks affecting the Company.

KMRC operates a consistent methodology using the Risk Management Framework for the identification, assessment, reporting and management of risks. The risk management and internal control systems adopted by the Company remain appropriate and effective in evaluating, determining, and managing significant risks.

The Committee meetings held and the members were as follows:

No.	Name	Position	Meetings attended
1.	Ms. Susan Maira	Chairperson	4
2.	Ms. Sarah Bonaya	Member	4
3.	Mr. Johnstone Oltetia	Member	4

c) Board Finance, Planning and Human Resource Committee

The Board Finance, Planning and Human Resource Committee is responsible for matters relating to strategy, finance and accounting, planning, employment, equality and diversity and corporate responsibility of the members of KMRC.

The committee reviews policies relating to Human Resources as well as matters related to the Company's Strategy, Finance and Procurement. The committee also oversees the Company's systems of internal control and reporting to ensure compliance with legal and regulatory requirements.

The committee members and meetings held in the year under review were as follows:

No.	Name	Position	Meetings attended
1.	Ms. Sarah Bonaya	Chairperson	4
2.	Mr. Samuel Makome	Member	4
3.	Mr. Robert Kibaara	Member	4
4.	Mr. Asman Khatolwa	Member	4
5.	Mr. Johnstone Oltetia	Member	4

RISK MANAGEMENT REPORT

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

KMRC'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. Risk management is an integral part of our business and is integrated in all processes within KMRC.

The Board provides written principles for overall risk management, as well as written policies covering specific areas. In addition, internal audit is responsible for the independent review of risk management and the control environment. KMRC's risk management framework contains the following elements of a sound risk management system;

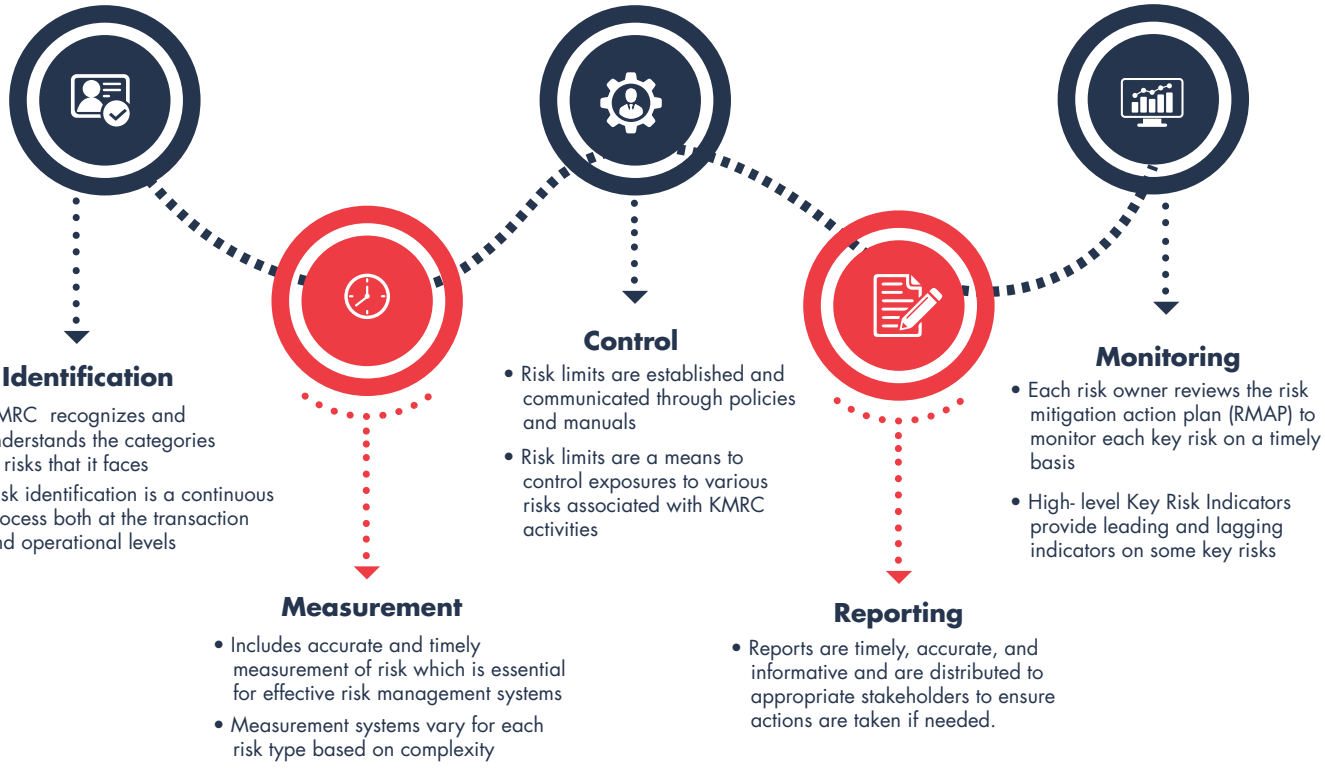
- Active Board and Senior Management Oversight
- Adequate Policies, Procedures and Limits
- Adequate Risk Monitoring and Management Information Systems (MIS)
- Adequate Internal Controls

Our Enterprise Risk Management (ERM) framework encompasses practices relating to the identification, analysis, evaluation, treatment, mitigation, and monitoring of the strategic, operational, legal and compliance risks which are key to achieving our key business objectives.

Business units across the Company embrace the ERM framework which underpins their day-to-day business activities. The framework provides a simple and effective management process to:

- Identify, assess, and effectively manage enterprise risks across the Company
- Prioritize resources to manage risks
- Give management a clear view of significant risks facing the Company
- Support decision making and project execution for better business performance

Risk Management Process



SUSTAINABILITY REPORT

As a mortgage liquidity provider, Kenya Mortgage Refinance Company (KMRC) is a systemically important participant in the economy, more fundamentally in the housing sector due to its role as a key institution to support affordable housing through increasing availability and affordability of home loans in Kenya. The Company promotes sustainable home ownership to Kenyans through provision of liquidity and longer-term funds for Banks and Sacco's to lend towards residential mortgage/ housing loans.

The Company strives for positive development outcomes in the activities it supports. KMRC believes that an important component of achieving positive development outcomes is the environmental and social sustainability of these activities, which KMRC expects to achieve through the application of the E&S Policy. KMRC recognizes that with its core business being mortgage refinance, KMRC is exposed to Environmental and Social (E&S) risks through the mortgage lending activities which can present a financial, legal, and/or reputational risk to KMRC.

The E&S risk associated with KMRC's lending activities through PMLs depends on specific E&S circumstances associated with the PMLs' operations. E&S issues can have adverse risks and impacts associated with either, the quality of the collateral (properties in the mortgage/housing loan portfolios presented for refinancing to KMRC by PMLs) or the ability of the mortgage borrowers to repay these loans.

KMRC collaborates with PMLs and other key stakeholders along the housing supply chain to fulfil its role as a catalyst of sustainable housing finance. It achieves this through integration of Environmental and Social risk processes with those of its clients, as part of their credit assessment process. KMRC conducts E&S due diligence of each PML at the institutional level and depending on the risk profile, the due diligence may extend to the level of the mortgage/housing loan portfolios to be refinanced. As a condition of eligibility to receive financing from KMRC, PMLs are required to implement certain minimum institutional systems and capacity to enable E&S screening against the requirements set by KMRC. Where KMRC determines that a PML does not have adequate systems and capacity, such PML will not be eligible for KMRC refinancing unless a time-bound action plan for improvement is developed and agreed with KMRC.

Looking ahead, sustainability will remain a priority agenda for the institution with a lot of emphasis on extending green finance. This has gained attraction among all key stakeholders including developers, financial institutions, and home buyers, essentially catalyzing the development of green housing in Kenya with a positive environmental impact.

REPORT OF THE DIRECTORS

The Directors submit their report and the audited financial statements for the year ended 31 December 2021, which show the state of the Company's affairs.

Incorporation | Directors | Principal activity | Business review

1 Incorporation

The Kenya Mortgage Refinance Company PLC was incorporated on 19 April 2018 under the Companies Act 2015. It is a public limited liability Company domiciled in Kenya. The Company's registered office is as set out on page 12.

2 Directors

The Directors who held office during the year are listed on page 13.

3 Principal activity

The principal activity of the Company is providing secure long-term funding to primary mortgage lenders (Banks, Microfinance Banks and Sacco's).

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

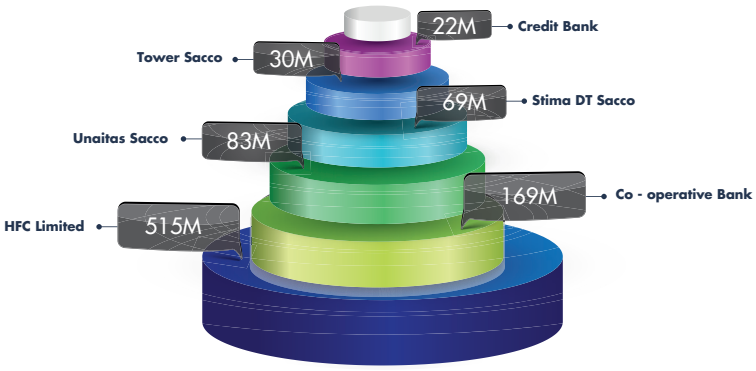
4 Business review

During the year under review, the total interest income of the Company increased to Kshs. 710,946,388 from Kshs. 221,094,696 in 2020. This was mainly attributed to both interest income on loans and advances to primary mortgage lenders and interest income from financial assets. The profit before tax increased to Kshs. 285,278,728 from Kshs. 101,615,001 as a result of the Company having started issuing loans and advances to primary mortgage lenders during the year.

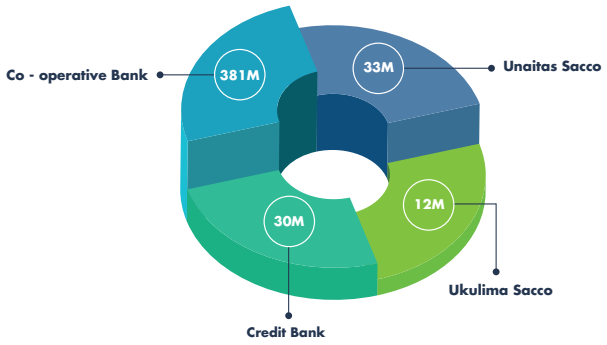
Established in April 2018 under a Public-Private Partnership (PPP) arrangement, Kenya Mortgage Refinance Company (KMRC) is a non-deposit taking financial institution regulated by the Central Bank of Kenya (CBK). KMRC's role is to provide long-term funds to primary mortgage lenders (Banks, Microfinance Banks and Saccos) in order to increase the availability and affordability of home loans to Kenyans by providing low interest, fixed rate, long term finance to mortgage financiers so that they can transfer the same benefits to individual borrowers, making home loans more accessible and affordable for Kenyans. As a wholesale financial institution, KMRC neither takes deposits nor lends directly to individuals.

KMRC operations contribute to the improvement of lending practices in Kenya and incentivize standardization of terms and conditions among lenders. The Company also contributes to the growth of Kenyan capital markets through the issuance of corporate bonds as a source of sustainable long-term funding. To this end, KMRC developed eligibility criteria that guides PMLs on how to access refinancing based on their underlying mortgage portfolio. During the year, the Company received twelve (12) applications and disbursed Kes 1.3Bn to seven (7) PMLs.

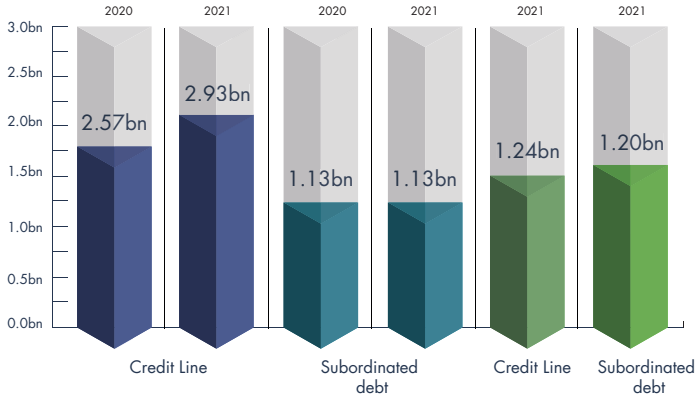
Refinanced Loans under World Bank Funding (Kes)
Primary Mortgage Lender



Refinanced Loans Under AFDB Funding (Kes)
Primary Mortgage Lender



Borrowings (Kes)



Further, KMRC facilitated the standardization of mortgage origination practices for participating Saccos, an achievement that is expected to revolutionize mortgage lending to Sacco stakeholders. As at the end of the year, the Company was on course to issue its first Corporate Bond with the application under review by the Capital Markets Authority. KMRC bond issues will not only contribute to the growth of the mortgage market but will also support further deepening of the Kenyan Capital Markets in Kenya.

5 Effect of the COVID-19 global pandemic to the Company operations

Just like other financial institutions across the globe, KMRC had to contend with the effects of the COVID- 19 pandemic on its business. The demand for financial services particularly home loans have been impacted negatively as a result of the slowdown of economic activities and declining disposable income for individuals in 2020. However, the Central Bank of Kenya took proactive measures to mitigate the impact of Covid-19 pandemic in the financial sector. Policy actions by the CBK was aimed at stabilizing the financial system and prepare for post Covid recovery.

In the year under review, property developers cautiously resumed their construction activities to balance the limited demand for housing in the market and gradual rise in financial resources. Nevertheless, the Government enhanced efforts focused on supporting the Affordable Housing agenda under the 2021/22 national budget themed "Building back better: Strategy for resilient and sustainable economic recovery and inclusive growth". This saw the completion and expansion of several affordable housing projects in 2021 under the "boma yangu" portal together with other private developments. In addition, some counties in partnership with private developers also sought to prioritize and initiate affordable housing projects.

KMRC's disbursements to the primary mortgage lenders during the year is expected to expand lending to the end users and increase generation of new portfolio on affordable home loans.

Looking forward post the COVID-19 crisis, KMRC remains optimistic that the housing market will rebound. However, it is critical that we explore longer term measures to support mortgage lending going forward. The crisis presented a perfect opportunity for shifting mortgage lending attention to moderate and lower income households since lower value properties mean a decrease in the potential loss given default, while spreading the credit risk across a wider base of consumers.

To support broader recovery in mortgage lending post Covid-19 pandemic, KMRC and indeed all housing stakeholders are putting in place critical interventions to support mortgage market development in Kenya. As a first step, KMRC hosted the first Affordable Housing Conference on demand and supply on December 8-9, 2021 for purposes of building synergies across the affordable housing value chain and resolving challenges inhibiting efficient development of affordable housing and access to affordable end user finance. The Company continues to work with private developers by sensitizing them on KMRC lending requirements so that they can align their developments with the eligibility requirements.

6 Corporate Governance Statement

As highlighted on page 20

7 Dividend

The Directors do not recommend the declaration of a dividend for the year.

8 Financial statements

At the date of this report, the Directors were not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

9 Directors' benefits

The Company was incorporated on 19 April 2018. There were Directors' sitting allowances paid as shown in Note 30.

10 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.

11 Auditor

The Directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration has been charged to profit or loss in the year.

The Company's auditor Mazars, Certified Public Accountants (K) has indicated its willingness to continue in office in accordance with Section 717 of the Kenyan Companies Act No. 17 of 2015.

By order of the Board

Company Secretary
10th March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare 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 keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The Kenyan Companies Act, 2015 requires the Directors to prepare 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 keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the Directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
ii) Selecting suitable accounting policies and applying them consistently; and
iii) 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 financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 10th March 2022 and signed on its behalf by:

Director
Dr. Haron Sirima, OGW

Director
Johnstone Oltetia

MAZARS

REPORT OF THE INDEPENDENT AUDITOR

To the Members of Kenya Mortgage Refinance Company PLC
For the year ended 31 December 2021

Opinion

We have audited the accompanying financial statements of Kenya Mortgage Refinance Company PLC (the Company), set out on pages 31 to 59, which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis of our opinion

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

Key audit matters

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

(i) Credit risk assessment and determination of expected credit losses on loans and advances at amortised cost

As explained in Note 1 and 2 of the financial statements, determining expected credit losses on loans and advances is complex, judgmental and involves significant estimation uncertainty. IFRS 9, Financial Instruments, requires the Directors to measure expected credit losses on a forward-looking basis reflecting a range of future economic conditions. The standard adopts a 3-stage model approach where the loans and advances are categorised in stage 1, 2 and 3 depending on whether the facilities are performing, have a experienced significant increase in credit risk or are in default.

Changes to the assumptions and estimates used by management could generate significant fluctuations in the Company's financial results and materially impact the valuation of the portfolio of loans and advances. In addition, the evolving economic impact of the COVID-19 pandemic has heightened the general risk of credit default and significant increase in credit risk, increasing the uncertainty around the management judgements and estimation process.

The calculation of the expected credit losses involves complex mathematical models that are prone to data integrity or configuration errors, or mathematical formulaic errors.

Our audit procedures focused on the following areas that have a significant impact on the calculation of the expected credit losses:

- the judgments made to determine the categorisation (staging) of individual loan and advances accounts in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used;

- the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments of loans and advances, including any adjustments in relation to COVID-19 overlays;

- the appropriateness of forward-looking information used in the models; and

- the conceptual logic, soundness and accuracy of the expected credit losses models used by the Company.

Reviewed the Company's methodology for determining expected credit losses, including enhancements in the year, and evaluated this against the requirements of IFRS 9, Financial Instruments.

Tested the Company applied the system extracts of 'days past due (DPD)' report in categorising the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD reports from the IT systems and the respective customer files.

Reviewing judgments applied in the staging of loans and advances; Tested the completeness of restructured loans listing and, on a sample basis, assessed the rationale for the restructures and the appropriateness of their subsequent measurement in accordance with IFRS 9 requirements.

Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD), including the post write-off recovery rates for unsecured facilities and the COVID-19 impact overlays.

We tested the completeness and accuracy of the historical data used in derivation of PDs, LGDs and EADs, and re-calculated the outcomes on a sample basis. For LGD, we tested the assumptions on the timing of the cash flows based on historical empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports.

On a sample basis, we tested the reasonableness of EADs for both on and off-balance sheet exposures, including the applied cash conversion factors.

We corroborated the assumptions used for determination of forward- looking information (FLI) in the models using publicly available information.

We reviewed and assessed adequacy of the disclosures in the financial statements on the key judgements and assumptions in accordance with the requirement of IFRS 9.

(ii) Information Technology systems and controls over financial reporting

The Company's financial accounting and reporting processes are dependent on complex information technology systems and applications. Specifically, the calculation, recording and financial reporting of financial transactions and balances are significantly dependent on automated processes.

Weaknesses in the design and operating effectiveness of the automated accounting procedures and related IT dependent manual controls could result in material errors in the financial information.

Our audit focus on information technology systems and applications and controls over financial reporting included the following areas:

- management of logical access to critical systems including privileged access and developer access to production environment;
- controls over changes of programs and systems developments;
- automated application controls relating to processing of transactions, accounting and financial reporting; and

We assessed and tested the design and operating effectiveness of the controls over the integrity of information technology (IT) systems and applications that are relevant for financial accounting and reporting.

We tested controls over programs development and changes, access to programs and data and IT operations including compensating controls where necessary. We also tested certain aspects of the security of the IT systems including logical access management and segregation of duties.

Where, either design or operating effectiveness control deficiencies were identified, we altered our audit approach to test the compensating controls or increased the level of our tests of detail. These additional procedures mitigated the deficiencies or provided the additional audit comfort.

We validated any manual adjustments to information generated by the IT systems and applications and assessed the appropriateness of the adjustments.

Other information

The Directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Company financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that 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 and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the Directors on pages 24 - 26 is consistent with the financial statements.

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit;

ii) in our opinion proper books of accounts have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of accounts.

The signing partner responsible for the independent audit was FCPA Charles Gathuto, Practising Certificate No. 1231.

For and on behalf of Mazars
Certified Public Accountant (K)
Nairobi

22nd March 2022

Statement of Comprehensive Income

	Note	2021 Kes	2020 Kes
Revenue			
Interest income:			
Interest on loans and advances	5 (a)	24,419,799	-
Other interest income	5 (b)	686,526,589	221,094,696
Total interest income		710,946,388	221,094,696
Interest expenses	6	(246,873,372)	(25,389,655)
Net interest income		464,073,016	195,705,041
Impairment losses provision	7	(440,814)	-
Governance expenses	8	(15,183,772)	(15,615,131)
Marketing expenses	9	(13,801,382)	(2,180,660)
Staff costs	10	(78,599,446)	(38,828,005)
Administration expenses	11	(37,522,800)	(17,423,216)
Other operating expenses	12	(9,059,680)	(4,094,984)
Depreciation and amortisation expenses	13	(24,186,394)	(15,948,044)
Profit before tax		285,278,728	101,615,001
Income tax expense	14	(88,667,655)	(24,397,662)
Profit for the year		196,611,073	77,217,339

Statement of Financial Position

	Note	2021 Kes	2020 Kes
Assets			
Property and equipment	15	64,465,730	55,756,316
Intangible assets	16	14,502,120	6,403,265
Right-of-use assets	17	32,414,854	40,518,568
Other receivables	18	161,382,448	142,113,344
Current tax recoverable	14	18,454,791	-
Financial assets at amortised cost	19	1,554,799,616	-
Loans and advances	20	1,286,717,998	-
Cash and cash equivalents	21	6,684,792,247	6,062,907,771
Deferred tax asset	22	6,050,104	2,102,827
Total Assets		9,823,579,908	6,309,802,091
Liabilities and Equity			
Liabilities			
Borrowings	23	6,771,588,698	3,725,173,478
Lease liabilities	24	39,189,809	46,172,905
Trade and other payables	25	645,355,760	14,110,827
Current tax payable	14	-	7,656,358
		7,456,134,267	3,793,113,568
Capital resources			
Share capital	26	1,808,375,125	1,291,000,100
Contribution pending allotment	27	-	883,999,900
Revenue reserves		525,499,229	341,688,523
Other reserves	31	20,770,920	-
Statutory reserve	20	12,800,367	-
Total liability and Equity		2,367,445,641	2,516,688,523
		9,823,579,908	6,309,802,091

The financial statements on pages 31 to 59 were approved for issue by the board of Directors on 10th March 2022 and were signed on its behalf by:

Director
Dr. Haron Sirima, OGW

Director
Johnstone Oltetia

Statement of Changes in Equity

	Note	Share capital Kes	Revenue reserves Kes	Contributions pending allotment Kes	Statutory reserve Kes	Other reserve Kes	Total Kes
Year ended 31 December 2021							
As at 1 January 2020		1,291,000,100	264,471,184	683,999,900	-	-	2,239,471,184
Profit for the year		-	77,217,339	-	-		77,217,339
Transactions with owners:							
Contributions pending allotment	27	-	-	200,000,000	-	-	200,000,000
At 31 December 2020		1,291,000,100	341,688,523	883,999,900	-	-	2,516,688,523
Year ended 31 December 2021							
As at 1 January 2021		1,291,000,100	341,688,523	883,999,900	-	-	2,516,688,523
Profit for the year			196,611,073	-	-		196,611,073
Transactions with owners:							
Shares issued for cash	26	517,375,025	-	-	-		517,375,025
Capitalisation during the year	27	-	-	(303,675,025)	-	-	(303,675,025)
Transfer to other payables		-	-	(580,324,875)	-	-	(580,324,875)
Capital grants	31	-	-	-	-	25,121,525	25,121,525
Amortisation		-	-	-	-	(4,350,605)	(4,350,605)
Transfer to statutory reserve	20	-	(12,800,367)	-	12,800,367	-	-
At 31 December 2021		1,808,375,125	525,499,229		12,800,367	20,770,920	2,367,445,641

Statement of Cash Flows

	Note	2021 Kes	2020 Kes
Cash flows from operating activities			
Profit before tax		285,278,728	101,615,001
Adjustments for:			
Depreciation of property and equipment	15	14,294,689	7,043,922
Depreciation on right-of-use assets	17	8,103,714	8,103,714
Amortisation of intangible assets	16	1,611,607	800,408
Amortisation of financial asset at amortised cost	19	176,384	-
Amortisation of capital grants		4,350,605	-
Interest on lease liabilities	6	2,558,617	3,020,657
Income tax paid	14	(118,726,081)	(28,783,570)
Operating profit before working capital changes		197,648,263	91,800,132
Increase in other receivables	18	(19,269,104)	(141,615,418)
Increase/(decease) in other payables	25	631,244,933	(11,333,859)
Increase in loans and advances	20	(1,286,717,998)	-
Net cash used in operating activities		(477,093,906)	(61,149,145)
Cash flows used investing activities			
Purchase of property and equipment	15	(27,354,708)	(57,670,395)
Purchase of intangible asset	16	(9,710,462)	(7,203,673)
Purchase of financial assets at amortised cost	19	(1,554,976,000)	-
Net cash used in investing activities		(1,592,041,170)	(64,874,068)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	26	517,375,025	-
Proceeds from capital grants		20,770,920	-
(Capitalisation)/proceeds of contribution pending allotment	27	(883,999,900)	200,000,000
Proceeds from borrowings	23	3,046,415,220	3,725,173,478
Payments of principal portion of the lease liability	24	(9,541,713)	(5,470,034)
Net cash from financing activities		2,691,019,552	3,919,703,444
Increase in cash and cash equivalents		621,884,476	3,793,680,231
Cash and cash equivalents at start of year		6,062,907,771	2,269,227,540
Cash and cash equivalents at end of year	21	6,684,792,247	6,062,907,771

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 International Financial Reporting Standards (IFRS). 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 risk management and capital management are set out in notes 3 and 4 respectively.

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 and revised standards

i) Adoption of new and revised standards

Two Amendments to standards became effective for the first time in the financial year beginning 1st January 2021 and have been adopted by the Company. Neither of the Amendments has had an effect on the Company's financial statements.

Amendments to IFRS 16 titled Covid-19 Related Rent Concessions (issued in May 2020)

The amendments, applicable to annual periods beginning on or after 1st June 2020, permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

Amendments to IFRS 9, IAS 39, and IFRS 7 titled Interest Rate Benchmark Reform Phase 2 (issued in August 2020)

The amendments, applicable to periods beginning on or after 1st January 2021, complement those issued in 2019 and focus on the effects on financial statements when a Company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

ii) New and revised standards that have been issued but are not yet effective

The Company has not applied any other of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1st January 2021, and the Directors do not plan to apply any of them until they become effective. The list below indicates new or revised standards and interpretations, with their effective dates, none of which is expected to have a significant impact on the Company's financial statements in the period of initial application.

Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.

Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)

The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing an asset for its intended use. Instead, a Company will recognise such sales proceeds and related cost in profit or loss.

Amendment to IFRS 1 titled Subsidiary as a First-time Adopter (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a Company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)

The amendments, applicable to annual periods beginning on or after 1 January 2023, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Amendments to IAS 8 titled Definition of Accounting Estimates (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.

Amendments to IFRS 16 titled Covid-19-Related Rent Concessions Beyond 30th June 2021 (issued in March 2021)

The previous amendment to IFRS 16 permitted the practical expedient to be applied only to reductions in lease payments that did not extend beyond 30th June 2021. This amendment, applicable to annual periods beginning on or after 1st April 2021 allows the practical expedient to be applied to reductions in lease payments that do not extend beyond 30th June 2022.

Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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, 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 and expenses

Interest income and expense 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 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.

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 arecredit- 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 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 fees and commissions. Transaction costs of financial assets and financial liabilities are carried at fair value through profit orlossare 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, 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

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:

i) the Company's business model for managing the asset; and
ii) 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 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. Wherethe 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.

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.

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.
- 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:

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

ii) Is prohibited from selling or pledging the assets; and

(iii) 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. 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 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.

Depreciation on property and equipment is calculated on the reducing balance at the following annual rates:

	Rate
Motor vehicles	25%
Computers	25%
Office equipments	20%
Furniture and fittings	10%
Leasehold improvements	Over the period of the 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 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 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 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 thecase 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.

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 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.

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 recognitionwhen 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
- the disappearance of an active market for the financial asset because of financial difficulties.

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	Lifetime expected credit losses (see note below)			
	losses	(a)	(b)	(c)	Total
	Kes	Kes	Kes	Kes	Kes
At 31st December 2021					
Loans and advances	1,286,847,295	-	-	-	1,286,847,295
Short-term bank deposit	5,071,423,253	-	-	-	5,071,423,253
Cash at bank	1,613,647,817	-	-	-	1,613,647,817
Exposure to credit risk	7,971,918,365	-	-		7,971,918,365
At 31st December 2020					
Loans and advances					
Short-term bank deposi	4,832,246,025	-	-	-	4,832,246,025
Cash at bank	1,230,660,538	-	-	-	1,230,660,538
Exposure to credit risk	6,062,906,563	-	-	-	6,062,906,563

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;

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 Risk 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 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 has plans to raise 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 Risk 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.

	Less Than one month	Between 1-3 months	Between 3-12 months	Over 1 Year
	Kes	Kes	Kes	Kes
31st December 2021				
Trade and other payables	30,467,766	22,608,854	3,188,266	589,090,874
Borrowings	-	-	-	6,771,588,698
Lease liabilities	-	-	-	39,189,809
	30,467,766	22,608,854	3,188,266	7,360,679,572
31st December 2020				
Trade and other payables	2,684,405	8,482,703	365,484	2,578,235
Borrowings	-	-	-	3,725,173,478
Lease liabilities	-	-	-	46,172,905
	2,684,405	8,482,703	365,484	3,773,924,618

The Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

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, Loan 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 society to interest rate risk. Financial assets and liabilities obtained at fixed rates expose the society 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.

	2021 Kes	2020 Kes
Effect on profit (decrease)/increase	50,714,233	48,322,460
Effect on equity (decrease)/increase	35,499,963	33,825,722

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.
- The computation of risk weighted assets and off-balance sheet items shall be computed as may be determined by the Company 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 2021. During the year, the Company complied with all of the externally imposed capital requirements to which they are subject.

Capital	**2021 Kes**	**2020 Kes**
Share capital	1,808,375,125	1,291,000,100
Retained profit	525,499,229	341,688,523
Contribution pending allotment	-	883,999,900
	2,333,874,354	2,516,688,523
Core capital (Tier 1)	2,320,097,085	2,513,836,768
Supplimentary capital (Tier 2)	2,433,989,778	1,138,247,452
Total Capital	4,754,086,863	3,652,084,220
Total risk - weighted assets	2,484,286,000	1,164,318,865
Capital ratios		
• Total regulatory capital expressed as a percentage of total risk	191.4%	313.7%
• Minimum total Capital to Risk Weighted Assets Requirement	14.5%	14.5%
Excess	176.9%	299.2%
• Total regulatory core capital to Total Risk Weighted assets ratio	93.4%	215.9%
• Minimum Core capital to Total Risk Weighted assets ratio	10.5%	10.5%
Excess	82.9%	205.4%

5 Revenue

a) Interest income on loans and advances:		
Primary Mortgage Lenders:		
- Mortgage lending	24,419,799	-
b) Other interest income		
Interest income:		
- financial assets at amortised cost	686,526,589	221,094,696

6 Interest expenses

Interest expense:		
Subordinated debt and credit lines		
GOK /IBRD 8958-KE	174,820,172	22,368,998
GOK/AfDB 2000200004101	69,494,583	-
Lease liabilities	2,558,617	3,020,657
	246,873,372	25,389,655

Total interest expense for financial liabilities measured at amortised cost.

		2021 Kes	2020 Kes
7	**Impairment losses provision**		
	Loans and advances	129,297	-
	Short-term bank deposits	232,095	-
	Cash at bank	79,422	-
		440,814	-
8	**Governance expenses**		
	Directors remuneration	9,060,000	9,743,000
	Sitting allowance	5,913,000	5,508,000
	AGM expenses	210,772	364,131
		15,183,772	15,615,13
9	**Marketing expenses**		
	Public relations and advertisements	13,801,382	2,180,660
10	**Staff costs**		
	Salaries and wages Pension costs:	63,153,265	33,782,969
	- defined contribution scheme	3,337,293	-
	- National Social Security Fund	38,000	16,000
	- Other post-employment benefits	6,187,764	2,578,235
	Medical insurance	5,243,391	2,101,701
	Other staff costs	639,733	349,100
		78,599,446	38,828,005
11	**Administration expenses**		
	Conferences, Seminars and workshops	15,491,077	2,538,873
	Licenses and permits	1,380,681	334,104
	ICT expenses	4,873,861	131,049
	Telephone, postage and internet	2,385,223	868,524
	Office running expenses	3,444,672	1,590,520
	Consultancy fees	5,494,557	9,305,104
	Insurance costs	2,450,276	478,692
	Audit fees	700,000	700,000
	Bank charges	335,124	182,970
	Subscriptions	635,571	333,074
	Corporate Social Responsibility	20,000	783,545
	Motor vehicle running expenses	311,758	176,761
		37,522,800	17,423,216

12 Other operating expenses

	2021 Kes	2020 Kes
Office rent and service charge	3,484,780	3,075,403
Electricity	719,534	300,967
Fines and penalties	11,925	718,614
Bond issuance costs	4,843,441	-
	9,059,680	4,094,984

13 Depreciation and amortisation expenses

Depreciation of property and equipment	14,294,689	7,043,922
Depreciation on right-of-use assets	8,103,714	8,103,714
Amortisation of intangible assets	1,611,607	800,408
Amortisation of financial asset at amortised cost	176,384	-
	24,186,394	15,948,044

14 Income tax

(a) Income tax expense		
Current income tax	92,387,312	27,457,247
Deferred tax (income)/expense relating to the origination and reversal of temporary differences (Note 22)	(3,947,277)	(3,434,354)
Deferred tax expense relating to change in tax rate (Note 22)	-	374,769
Under provision in prior years on:		
- current tax	227,620	-
Income tax expense	88,667,655	24,397,662
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% (2020: 25%) as follows:		
Profit before tax	285,278,728	101,615,001
Tax calculated at the statutory tax rate of 30% (2020: 25%)	85,583,618	25,403,750
Tax effect of:		
Expenses not deductible for tax purposes	2,748,360	179,654
Income not subject to tax	-	-
Effect of change in statutory tax rate on deferred tax (see below)	-	(374,769)
Write down/(reversal of a write down) of a deferred tax asset	335,677	(810,973)
Income tax expense	88,667,655	24,397,662

The statutory tax rate was reduced from 30% to 25% for the year of income 2020 by the Tax Laws (Amendment) Act, 2020. The Tax Laws (Amendment) (No.2) Act, 2020 increased the rate back to 30% with effect from 1st January 2021.

(b) Statement of financial position

	2021 Kes	2020 Kes
At 1 January	7,656,358	8,982,681
Current tax charge	92,387,312	27,457,247
Tax paid during the year		
- Balance of tax	(7,656,358)	(8,982,681)
- Installment tax	(300,000)	-
- Withholding tax	(110,542,103)	(19,800,889)
At 31 December	(18,454,791)	7,656,358

15 Property and equipment

	Motor vehicles	Computers	Office equipment	Furniture and fittings	Leasehold improvements	Total
Cost	**Kes**	**Kes**	**Kes**	**Kes**	**Kes**	**Kes**
At 1 January 2020	4,703,244	629,500	-	-	-	5,332,744
Additions	13,872,600	3,765,018	744,740	11,970,000	27,318,037	57,670,395
At 31 December 2020	18,575,844	4,394,518	744,740	11,970,000	27,318,037	63,003,139
At 1 January 2021	18,575,844	4,394,518	744,740	11,970,000	27,318,037	63,003,139
Additions	-	22,314,465	1,005,000	-	4,035,243	27,354,708
At 31 December 2021	18,575,844	26,708,983	1,749,740	11,970,000	31,353,28	90,357,847
Depreciation						
At 1 January 2020	97,984	104,917	-	-	-	202,901
Charge for the year	1,464,824	481,537	12,412	532,143	4,553,006	7,043,922
At 31 December 2020	1,562,808	586,454	12,412	532,143	4,553,006	7,246,823
At 1 January 2021	1,562,808	586,454	12,412	532,143	4,553,006	7,246,823
Charge for the year	4,643,961	6,467,048	1,407,445	1,189,883	4,936,957	18,645,294
At 31 December2021	6,206,769	7,053,502	1,419,857	1,722,026	9,489,963	25,892,117
Net book value						
At 31 December 2021	12,369,075	19,655,481	329,883	10,247,974	21,863,317	64,465,730
At 31 December 2020	17,013,036	3,808,064	732,328	11,437,857	22,765,031	55,756,316

16	Intangible assets	2021 Kes	2020 Kes
	Software costs		
	Cost		
	At 1st January	7,203,673	-
	Additions	9,710,462	7,203,673
	At 31st December	16,914,135	7,203,673
	Amortisation		
	At 1st January	800,408	-
	Charge for the year	1,611,607	800,408
	At 31st December	2,412,015	800,408
	Net book amount		
	At 31st December	14,502,120	6,403,265

The Company obtained an Enterprise Resource Planning (ERP) Software during the year which went live in September 2020.

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.

17	Right-of-use-asset	2021 Kes	2020 Kes
	At start of year	40,518,568	48,622,282
	Depreciation charge for the year	(8,103,714)	(8,103,714)
	At end of year	32,414,854	40,518,568

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.

18	Other receivables	2021 Kes	2020 Kes
	Prepayments	4,527,261	2,840,353
	Accured income	55,216,225	89,088,771
	HFC mortgage scheme deposit (see blow)		
	- Free funds account	60,596,464	50,184,220
	- Back up account	41,042,498	-
		161,382,448	142,113,344

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. This has been classified as a receivable in the balance sheet with the exception of other accounts explained above classified as cash and cash equivalents.

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

19 Financial assets at amortised cost	**2021 Kes**	**2020 Kes**
At start of year	-	-
Additions	1,554,976,000	-
Amortisation	(176,384)	-
At end of year	1,554,799,616	-
Financial assets at amortised cost can be analysed as follows:		
Maturing after 15 years	1,554,976,000	-

Treasury bonds are debt securities issued by the Government of the Republic of Kenya. The bonds are categorized as amounts held at amortized cost and carried at amortized cost. The weighted average effective interest rates on Government securities as at 31 December 2021 was 13.1% (2020: nil).

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;
- reference to external historical information available;
- discussions with the Company's investment advisors;

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

None of the financial assets are impaired.

20 Loans and advances

		2021 Kes	**2020 Kes**
Loans and advances to customers at amortised cost	(i)	1,286,847,295	-
Less: impairment provision	(ii)	(129,297)	-
Total loans and advances to customers		1,286,717,998	-

20 Loans and advances (continued)

i) Loans and advances to customers at amortised cost

	2021			2020		
	Gross amount Kes	ECL provision Kes	Carrying amount Kes	Gross amount Kes	ECL provision Kes	Carrying amount Kes
Primary Mortgage Lenders						
Mortgage lending	1,286,847,295	(129,297)	1,286,717,998	-	-	-

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	12,929,663	129,297	12,800,367

Statutory provisions are analysed as follows:

	2021 Kes	2020 Kes
0 - 30 Days (Normal - 1%)	12,868,473	-
31 - 90 Days (Watch - 5%)	-	-
91 - 180 Days (Substandard - 25%)	-	-
181- 360 Days (Doubtful - 75%)	-	-
Over 361 Days or 12 Instalments over due (Loss Account - 100%)	12,868,473	-

ii) IFRS 9 provisions

Reconciliation from opening to closing balance of loss allowance for loans and advances to customers at amortised cost for 2021 is shown below; comparative amounts for 2020 represent total allowance account for credit losses under stages 1, 2 and 3.

	2021				2020
	Stage 1 12-month EC	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	Kes	Kes	Kes	Kes	Kes
At start of the year	-	-	-	-	-
- Net remeasurement of impairment provisions					
- New financial assets originated or purchased	129,297	-	-	129,297	
At end of year	129,297			129,297	

In the opinion of the Directors, the carrying amounts of loans and advances to customers approximate their fair value. The effective interest rate on loans is 5% (2020: 5%).

21 Cash and cash equivalents

	2021 Kes	2020 Kes
Short-term bank deposits		
- KCB Bank Kenya Limited	4,946,220,307	3,360,854,025
- HFC Limited	100,000,000	100,000,000
- Absa Bank	25,202,946	-
- Co-operative Bank of Kenya Limited	-	1,371,392,000
Cash at bank and in hand	1,613,680,511	1,230,661,746
Expected credit losses on bank balances and short term deposits	(311,517)	-
	6,684,792,247	6,062,907,771

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

	2021 Kes	2020 Kes
Impairment provision		
At start of the year	-	-
Changes short-term bank deposits	232,095	-
Changes relating to bank balances	79,422	-
At end of the year	311,517	-

The weighted average effective interest rate on short-term bank deposits at year-end was 8.7% (2020: 7.8%)

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 (2020: 25% and 5%). However, the statutory tax rate for the year ended 31st December 2021 was 30% (see Note 15), except for capital gains, which remained as 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	Effect of change of tax rate	Credited/ (charged) to profit or loss	At 31st December
	Kes	Kes	Kes	Kes
Year ended 31st December 2021				
Property and equipment				
- on historical cost basis	(174,847)	-	781,893	607,046
Software	(192,098)	-	(758,064)	(950,162)
Right-of-use assets				
- accelerated tax depreciation	2,431,114	-	2,431,114	4,862,228
Lease liabilities	(734,813)	-	(2,118,783)	(2,853,596)
Financial asset at amortised cost	-	-	52,915	52,915
Post-employment benefit obligation	773,471	-	3,558,202	4,331,673
Net deferred tax asset	2,102,827	-	3,947,277	6,050,104
Year ended 31st December 2020				
Property and equipment				
- on historical cost basis	(956,758)	4,844	777,067	(174,847)
Software	-	32,016	(224,114)	(192,098)
Right-of-use assets				
- accelerated tax depreciation	-	(405,186)	2,836,300	2,431,114
Lease liabilities	-	122,469	(857,282)	(734,813)
Post-employment benefit obligation	-	(128,912)	902,383	773,471
Net deferred tax (liability)	(956,758)	(374,769)	3,434,354	2,102,827

23 Borrowings	Interest rate	Repayment Start date	End date	2021 Kes	2020 Kes
GOK/IBRD 8958-KE					
- Subordinated debt	4.5%	30/03/2024	30.03.2044	1,131,412,480	1,131,412,480
- Credit line				2,928,715,525	2,571,392,000
GOK/AfDB 2000200004101	4.5%	30/03/2027	30.03.2044		
- Subordinated debt				1,202,144,400	-
- Subsidiary loan				1,242,632,540	-
Accrued interest				266,683,753	22,368,998
				6,771,588,698	3,725,173,478

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 2020. 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 providinq the mortgage refinancing to the eligible participating financial institutions; and Technical Assistance.

The Government agreed under the Loan Agreement dated 5th December 2020 and 12 October 2020 to on-lend to the Company an amount of Euros 166,400,000 and Euros 90,000,000 from the proceeds of the two loans for the implementation of the Project as explained above.
Borrowings from the government as at 31 December 2021 amounted to Kshs. 6,504,904,945 (2020: Kshs. 3,702,804,480). Interest payable of Kshs. 266,683,753 (2020: Kshs. 22,368,998) remained unpaid as at 31 December 2021. 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 EUR	World Bank EUR	Total EUR
Loan	**90,000,000**	**219,000,000**	**309,000,000**
Sub-debt drawndown	9,000,000	8,800,000	17,800,000
Credit line drawndown	9,716,554	24,002,298	33,718,852
Total Drawn Down	**18,716,554**	**32,802,298**	**51,518,852**
Undrawn Facilities	**71,283,446**	**186,197,702**	**257,481,148**

24 Lease liabilities	2021 Kes	2020 Kes
At 31 December	39,189,809	46,172,905
The total cash outflow for leases in the year was:		
Payments of principal portion of the lease liability	9,621,227	5,470,034

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

25 Trade and other payables

	2021 Kes	2020 Kes
Trade payables	3,188,266	365,484
Accruals	21,875,729	7,583,319
Payroll liabilities	30,467,766	2,684,405
Other payables	733,125	899,384
Post-employment benefit obligation (Note 28)	8,765,999	2,578,235
Due to shareholders (Note 27)	580,324,875	-
	645,355,760	14,110,827

26 Share Capital

	2021 Kes	2020 Kes
Issued and fully paid up		
At 1 January	1,291,000,100	1,291,000,100
Issue for cash	517,375,025	-
At 31 December	1,808,375,125	1,291,000,100

The total number of authorised ordinary shares is 50,000,000 with a par value of Kshs. 100 each.

On 11th May 2021, the issued and paid up capital was increased from Kshs. 1,291,000,100 to Kshs. 1,808,375,125 by an issue for cash of 5,173,750 ordinary shares at a price of Kshs. 100 per share.

27 Contribution pending allotment

	2021 Kes	2020 Kes
At 1 January	883,999,900	683,999,900
Addition during the year	-	200,000,000
Capitalisation during the year	(303,675,025)	-
Transfer to amounts due to shareholders (Note 25)	(580,324,875)	-
At 31 December	-	883,999,900

The Company concluded the funds mobilisation drive during the year and any excess funds received from the shareholders were transferred to other payables untill there will be need for capital increase in future.

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

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:

	2021 Kes	2020 Kes
At start of year	2,578,235	-
Additional provision made during the year, charged to profit or loss	6,187,764	2,578,235
At end of year	8,765,999	2,578,235

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:

	2021 Kes	2020 Kes
Within one year	10,495,884	9,621,227
Later than one year but within five years	32,712,173	43,208,058
	43,208,058	52,829,285

30 Related party transactions

The National Treasury with the support of the World Bank established the Kenya Mortgage Refinance Company (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.

The following transactions were carried out with related parties.

i) Loans and advances	2021 Kes	2020 Kes
Mortgages to Primary Mortgage Lenders	1,286,717,998	-
Due to related parties (Note 25)		
At 1st January	883,999,900	683,999,900
Amounts (capitalised)/received during the year	(303,675,025)	200,000,000
At 31st December	580,324,875	883,999,900

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

iii) Key management compensation		
Salaries and other employment benefits	56,956,390	31,469,466
iv) Directors' benefits and other remuneration		
- fees	9,060,000	9,743,000
- allowances	5,913,000	5,508,000
	14,973,000	15,251,000

31 Other reserve		
At start of year	-	-
Additional provision made during the year, capitalised	25,121,525	-
Amortisation	(4,350,605)	-
At end of year	20,770,920	-

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

EVENTS AND OUTREACH

Kenya Affordable Housing Conference

Kenya Mortgage Refinance Company hosted the first Kenya Affordable Housing Conference on December 8th and 9th 2021 at the Lake Naivasha Resort in Naivasha Town, *themed Affordable Housing in Kenya: Leveraging the Supply and Demand Linkages.*

Hosted in partnership with the State Department for Housing and Urban Development (SDHUD), the conference took stock of achievements under the Affordable Housing Pillar of the Big 4 Agenda and also enhanced demand and supply sides linkages. The Conference provided a platform for various key stakeholders in the housing sector to share experiences, take stock of achievements, address practical solutions for home ownership gaps and recommend best practices for adoption.

Specific objectives of the conference included: create awareness on the Affordable Housing Program and investment opportunities, promote and enhance linkages between key demand and supply players in the affordable housing sector, showcase and take stock of the affordable housing sector achievements and explore opportunities in the future of housing related to use of construction technologies, green building, and smart cities.

"As we address the demand side by progressively lowering interest rates on home loans, thereby driving affordability, KMRC is alive to the fact that for truly sustainable affordable housing to be achieved, the supply and demand side must work in tandem. We hope this conference will engender viable solutions to the challenges currently constraining the sub-sector," said KMRC CEO Johnstone Oltetia. "

The Affordable Housing Conference registered more than 200 attendees including project developers, investors, pension funds, insurance companies, SACCOs, consumers, development partners (AfDB, USAID, World Bank, IFC), Government MDAs, County Governments, consultancy firms, policy makers and regulators, research institutions and professional associations in the built environment.

The conference was implemented against the backdrop of the Government's aggressive Affordable Housing Program (AHP) that was launched in December 2017. The Government also tasked both private and public sectors' stakeholders to reimagine practical measures that can be implemented in the short to medium term to fast-track delivery of housing objectives.

Housing is recognized as one of the critical sectors under the social pillar of the Vision 2030, Kenya's main economic blueprint. Affordable Housing has also been prioritized as one of the initiatives under President Kenyatta's "Big 4 Agenda" to ensure that low and middle-income households have access to decent and affordable housing units.

Farida Karoney CS, Ministry of Lands and Physical Planning makes remarks during the conference.

Charles Hinga Mwaura PS, State Department for Housing and Urban Development makes remarks during the conference.

LISTING OF THE CORPORATE BOND AT THE NAIROBI SECURITIES EXCHANGE

The Kenya Mortgage Refinance Company PLC (KMRC) officially rang the bell to mark the listing and the commencement of trading of its inaugural Corporate Bond on the Nairobi Securities Exchange (NSE) on March 14th, 2022.

The Company's first tranche of the Medium-Term Note program was oversubscribed by more than 400 percent, netting applications worth Kes8.114 billion against a target of Kes 1.4 billion. The proceeds raised will enable the Company to blend its inventory of concessional funds and scale up operations, in a bid to continue to re-finance home loans and make them affordable and within reach for more Kenyans. The Corporate Bond is a strategic landmark issue and the investor response demonstrated a vote of confidence in the Company's strategic direction.

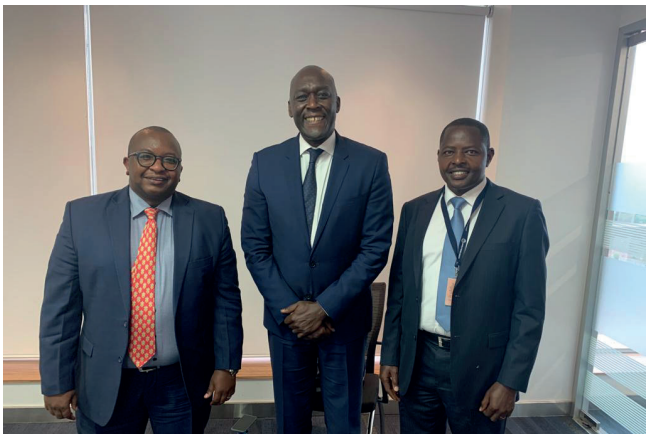
CS National Treasury and Planning Ukur Yatani rings the bell to mark trading of KMRC's Bond on the Nairobi Securities Exchange

"The response to our inaugural bond issue demonstrates the market's confidence in the KMRC's model and strategy and is statement to the importance of the Company's mandate to increase home ownership and transform the country's housing sector. Today, we firmly establish our entry into the local capital markets for the core purpose of sustainably raising long-term funding for the Company's operations," Mr. Oltetia stated, adding, "building a bankable and tenable long-term capital is at the core of our Strategic Plan and objective to make housing affordable for our people."

The bond's launch followed a series of documentation processing to certify all regulators' pre-requisites for the journey that started in 2021. The transaction was arranged by NCBA Investment Bank Limited, with Mboya Wangongu & Waiyaki Advocates as the legal counsel, Lions Head Global Partners as the Financial Advisors, MAZARS as the reporting accountant, Ropat Trust Company Ltd as Note Trustee and C&R Group the registrar and fiscal agent. The listing ceremony was presided by the National Treasury's Cabinet Secretary, Amb Uku Yatani. Other notable guests included CBK Governor- Dr. Patrick Njoroge, CMA Chairman- Mr. Nicholas Nesbitt, KMRC Chairman- Dr. Haron Sirima and NSE Chairman-Mr. Kiprono Kittony, NSE CEO- Mr. Geoffrey Odundo.

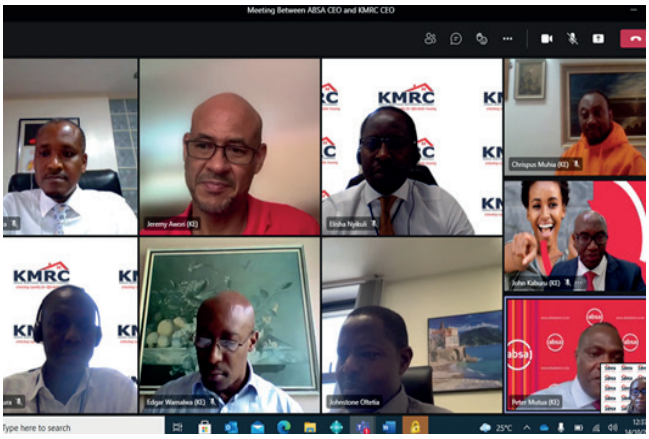
KMRC CEO Johnstone Oltetia rings the bell to mark listing of the Company Bond on the Nairobi Securities Exchange

KMRC ACTIVITIES

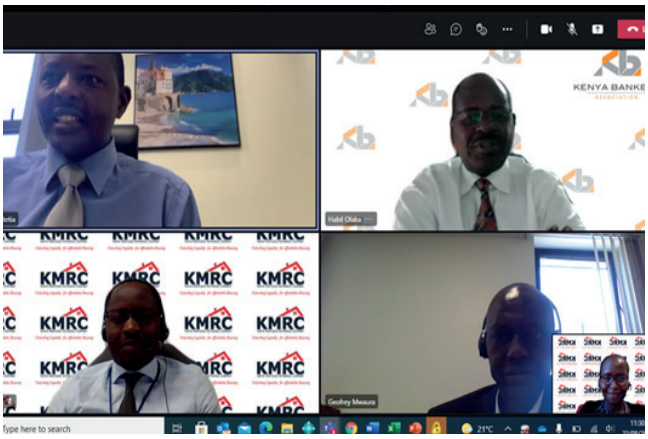


L-R- Charles Hinga- Principal Secretary, State Department for Housing and Urban Development, Makhtar Diop- IFC's Managing Director and Executive Vice President and Johnstone Oltetia- Kenya Mortgage Refinance Company's Chief Executive Officer & MD at a meeting held on February 2, 2022

KMRC's Management with IFC' Jes Chonzi (2nd Left) and Gokhan Kont (3rd Right) during a business meeting on November 8th, 2021 at the KMRC offices in Upperhill



ABSA KMRC Virtual Meeting- October 2021



KMRC team holds virtual meting with the KBA CEO Dr Habil Olaka on 23rd August 2021

CSR 2022

Credit Officer Scolastica Chepkoech making a presentation on Affordable Housing at the Enwealth Home Ownership Expo on 7th May 2022

CEO Johnstone Oltetia with IFC's Susan Lund (L) and Jumoke Jagun-Dokunmu (R) at the KMRC offices during a courtesy visit on April 12, 2022

KMRC staff at the NCBA Offices during a customer courtesy call on September 29th 2021

APPOINTMENT OF PROXY(IES)

We _____of P. O. Box _____ being shareholders of KENYA MORTGAGE REFINANCE COMPANY Limited, appoint _____and in his absence _____ _____ both of P.O. Box_____ as our proxies to vote on our behalf upon any matter proposed at the 3rd Annual General Meeting of the shareholders to be held on **Thursday June 30, 2022** or at any adjournment of that Meeting, in such manner as our proxies shall think proper, and if expedient to demand a poll.

Dated this _____ day of _____ 2022.

Signed by the duly authorized representative of,

Authorized Signatory .....

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Notes

Notes

KMRC
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KMRC is Regulated by the Central Bank of Kenya