KMRC
KENYA MORTGAGE REFINANCE COMPANY

Strategic Plan 2024-2029

(Abridged Version)

Strategic Plan (Summary): 2024 – 2029

1. INTRODUCTION

The Kenya Mortgage Refinance Company (KMRC) is a public-private partnership formed by the Government of Kenya to enhance sustainable home financing. Regulated by the Central Bank of Kenya, KMRC's mandate is to provide long-term funds to primary mortgage lenders (PMLs), facilitating affordable home loans for Kenyans, particularly low to moderate-income earners.

Its key objectives include scaling up mortgage lending operations, standardizing practices, and broadening market competition. Incorporated in 2018, KMRC begun lending operations in September 2020 and is supporting the Government commitment to deliver Affordable Housing under the Bottom-up Economic Transformation Agenda (BETA) and as prioritized in the Fourth Medium Term Plan of the Kenya Vision 2030.

With a shareholder structure comprising Government of Kenya, banks, SACCOs and development finance institutions, KMRC focuses on wholesale lending, expanding liquidity to PMLs, and promoting capital market development through bond issuance.

KMRC offers two loan categories: Affordable Housing Loans and Market Housing Loans, funded through equity, subordinated capital, and international loans. Through its financial instruments like corporate bonds, KMRC secures sustainable funding for its operations, fostering economic growth and housing affordability in Kenya.

2. STRATEGY OVERVIEW

In the dynamic realm of mortgage refinancing, where economic landscapes shift and consumer needs evolve, KMRC stands poised at the threshold of transformative change. As we embark on the five-year strategic journey, KMRC's goal will be to continue being the preeminent leader in the mortgage refinancing industry, distinguished by innovation, efficiency, and unwavering dedication to our clients' financial well-being.

The mortgage refinancing landscape is undergoing profound shifts driven by technological advancements, regulatory changes, and evolving consumer preferences. With interest rates fluctuating, homeowners are seeking opportunities to optimize their mortgage terms, lower their monthly payments, and unlock the equity in their homes. This avails a great opportunity for positioning the more affordable KMRC products for uptake by the market. Moreover, the advent of digital platforms and fintech solutions has revolutionized the way consumers engage with financial services, necessitating a re-evaluation of traditional business models.

Strategic Imperatives

The five-year strategy will be built upon a foundation of the following strategic imperatives:

- **Need to promote uptake of home loans to enhance impact on affordable housing in line with its vision/mandate:** To maximize the impact of its funds, KMRC shall implement strategies to encourage greater utilization by PMLs. This may involve providing targeted incentives, expanding eligibility criteria, simplifying application procedures, and raising awareness of available financing options and benefits. Additionally, KMRC shall collaborate with stakeholders to identify and address any barriers or constraints hindering the uptake of home loans.
- **Diversification of product offering for sustainability:** KMRC will diversify its products to respond to the evolving mortgage market needs. Availability of new products such as Tenant Purchase Scheme and Rent to Own will empower the company to extend much-needed liquidity to primary mortgage lenders (PMLs), thereby facilitating

the flow of capital throughout the mortgage value chain. Providing PMLs with access to flexible and affordable funding options will enable them to originate and service mortgage loans more efficiently, meet the diverse needs of their customers, and navigate the complexities of the ever-changing market landscape. Furthermore, this will offer KMRC the opportunity to deepen its strategic partnerships with PMLs, fostering collaboration and synergy within the mortgage ecosystem. Through close alignment and shared objectives, the company will work hand in hand with PMLs to develop innovative mortgage products, expand market reach, and enhance the overall customer experience. By stimulating mortgage activity and facilitating homeownership, KMRC contributes to the stability and growth of the housing market, bolster consumer confidence, and supports economic resilience. However, it's essential to recognize that with increased lending comes the responsibility to manage risks effectively. KMRC will exercise prudence and diligence in its refinancing activities, implementing robust risk management frameworks and stringent underwriting standards to safeguard against potential pitfalls and ensure the long-term sustainability of its operations.

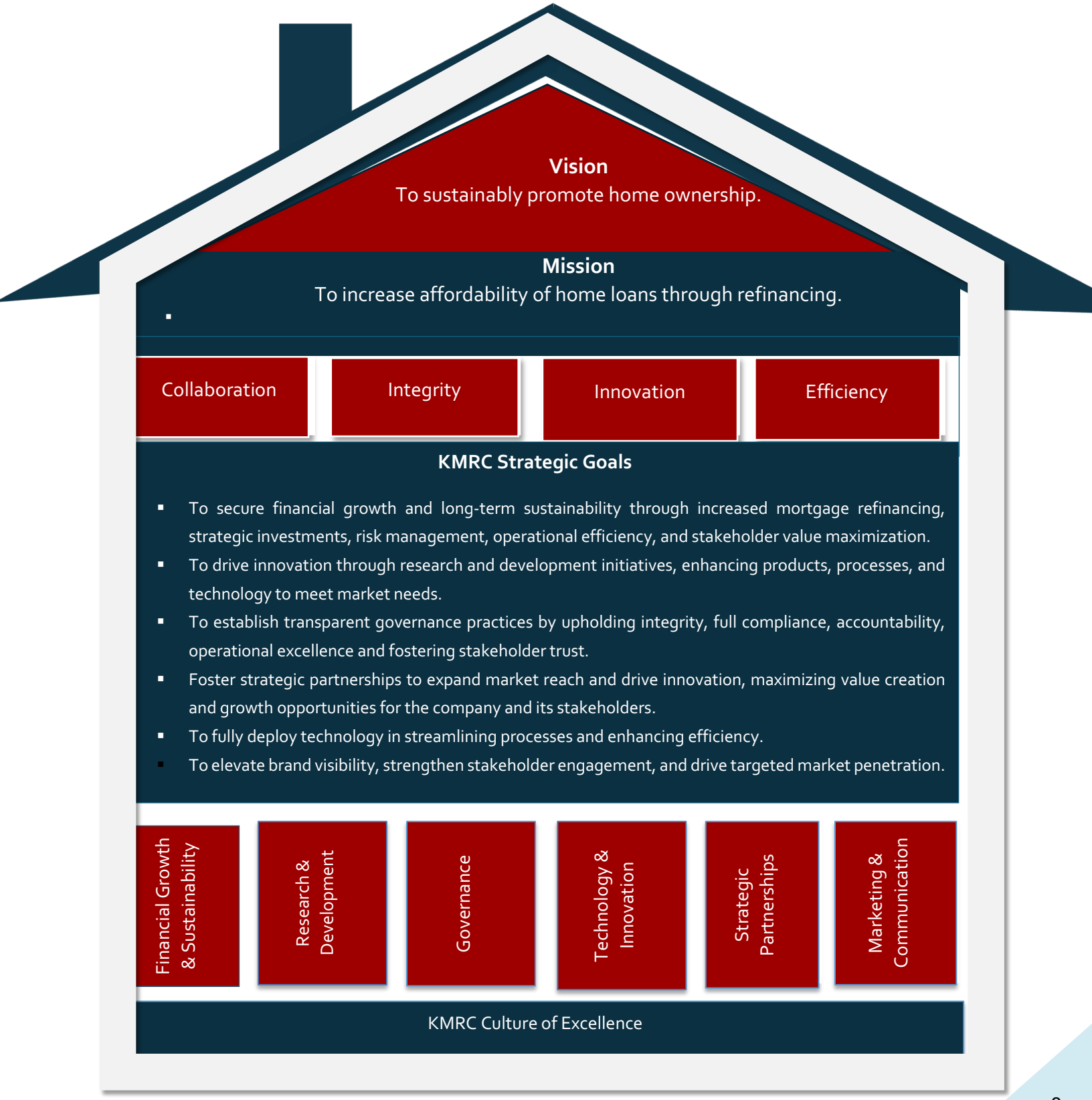
- **Customer-Centric Innovation**: At the heart of KMRC strategy lies a relentless commitment to customer-centric innovation. KMRC recognizes that every homeowner's financial journey is unique, and thus, will, jointly with PMLs, prioritize personalized solutions tailored to meet their specific needs. By leveraging advanced data analytics and machine learning algorithms, the Company will gain deeper insights into customer behaviour, anticipating their needs and deliver tailored refinancing options that maximize value and convenience through engagement with PMLs.
- **Lending to non-shareholders**: KMRC will open lending to non-shareholders, comprising at least 23 commercial banks and 271 SACCOs that are not being serviced by the company. This will offer several advantages to KMRC: Firstly, it expands its customer base beyond existing shareholders, enhancing market reach and potentially boosting revenue streams. Secondly, it mitigates risk concentration by diversifying loans across a broader spectrum of mortgage lenders. Lastly, KMRC fulfils social responsibility by addressing the financial needs of the broader community, promoting inclusivity, and catering to diverse financial requirements.
- **Operational Excellence:** To thrive in an evolving landscape, operational excellence is imperative. Over the next five (5) years, KMRC will undertake a comprehensive review of its operational processes, identifying opportunities for streamlining workflows, reducing inefficiencies, and enhancing productivity. Through the adoption of cutting-edge automation technologies and continuous process improvement initiatives, the Company will drive operational excellence across all facets of the business, from loan origination to closing.
- **Digital Transformation:** Embracing the digital revolution is paramount to the Company's long-term success. KMRC will invest heavily in digital transformation initiatives aimed at enhancing the end-to-end customer experience, from online application submission to real-time status updates. By developing intuitive mobile applications and user-friendly web interfaces, homeowners will be empowered with greater transparency, convenience, and control over the refinancing process.
- **Strategic Partnerships:** Collaboration lies at the heart of KMRC growth strategy. Over the next five years, the Company will forge strategic partnerships with leading financial institutions, technology providers, and industry stakeholders to expand its reach, access new markets, and unlock synergies. Through strategic alliances, the Company will capitalize on emerging opportunities and position itself as the partner of choice for mortgage refinancing solutions.
- **Regulatory Compliance and Risk Management:** As stewards of our clients' financial security, regulatory compliance and risk management are paramount. We will uphold the highest standards of regulatory compliance, ensuring full adherence to applicable laws and regulations governing mortgage refinancing. Moreover, we will implement robust risk management frameworks to mitigate potential threats and safeguard our company's reputation and financial stability.

By embracing these strategic imperatives, we will not only navigate the complexities of the mortgage market but also redefine the benchmarks of success, setting new standards of excellence for the industry. Together, we embark on this journey with vision, determination, and a shared commitment to empowering homeowners with financial freedom and peace of mind.

This strategy is underpinned by six (6) pillars: **Financial Growth & Sustainability, Research & Development, Technology and Innovation, Governance, Strategic Partnerships** and **Marketing and Communications.**

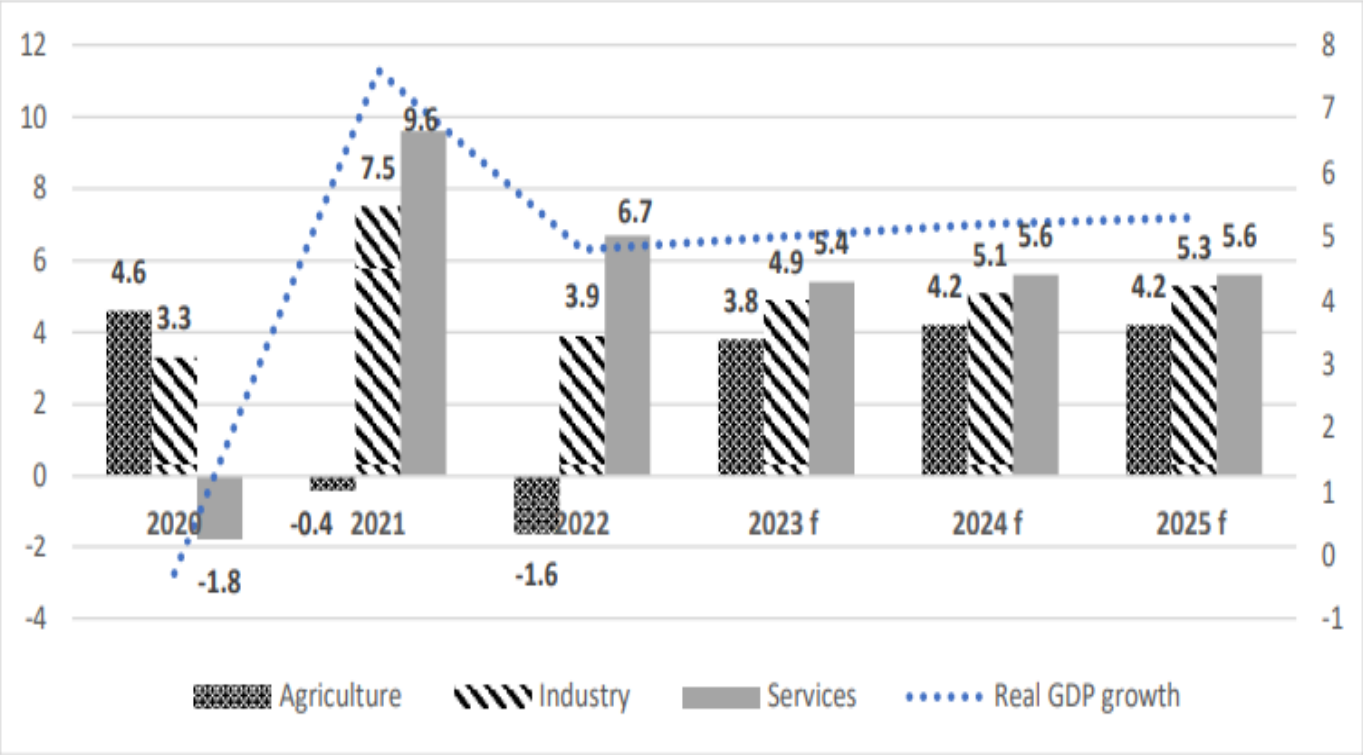
This summary contains Situational Analysis or **Where We Are!** which analyses the macroenvironment, trends and opportunities in the housing sector, SWOT analysis and Performance against current Strategic Plan and Financials. The second part contains elements of **Where We Want to Go** including Vision, Mission, Core Values, Strategic Pillars, Goals/Objectives and Financial Projections.

KMRC STRATEGY HOUSE



3. SITUATIONAL ANALYSIS – WHERE WE ARE!

3.1.1 Real GDP Growth - Kenya



Source: World Bank

Figure 1: Kenya's Real GDP Growth (%)

Figure 1 above depicts medium-term economic growth and prospects in Real GDP and by sector in Kenya. According to the World Bank, Kenya's growth is projected to reach 5.2% [1]on average during 2024-2026, mainly driven by the private sector as business confidence strengthens and the public sector continues to scale back. Kenya's growth is also expected to benefit from the implementation of the recently signed trade agreements under the European Union Economic Partnership Agreement, African Continental Free Trade Area.

3.1.2 Inflation

According to the Kenya National Bureau of Statistics, the annual inflation rate in Kenya fell for the second month to a two-year low of 5.7% in March 2024. The continued appreciation of the local currency also helped the further slowdown in inflation. The shilling has appreciated by nearly 19%, bolstered by a combination of factors, such as the successful issuance of a new Eurobond and two consecutive interest rate increases totalling 250 basis points in December and February. Monthly, consumer prices rose by 0.2% in March, after a 0.1% increase in the prior month. Inflation is expected to stabilize at 5% average from 2025-2029. Decreasing inflation is likely to spur disposable income hence increased uptake of mortgage loans.

3.2 Opportunities for Affordable Housing in Kenya

[1] https://www.worldbank.org/en/country/kenya/overview, April 2024

- Access to adequate and affordable housing is a basic human need. Article 43 of the Constitution of Kenya provides that every person has the right to accessible and adequate housing.
- Under the social pillar of the Kenya Vision 2030, development of quality and affordable houses for low-income Kenyans is a priority.

- Through the Bottom-Up Economic Transformation Agenda (BETA), which prioritizes affordable housing as one of the pillars, the government plans to close the housing gap by facilitating the delivery of 250,000 houses per year.
- The National government has demonstrated commitment to enhance adequate housing through housing development and human settlement programmes. In the period 2018-2022, the government committed KES. 125 Bn to the housing sector to make the Affordable Housing Programme (AHP) a reality. However, the "Big Four" agenda AHP fell short of its target of delivering 500,000 units, with less than 10% of intended units being delivered by 2022.
- The Government of Kenya has provided incentives to encourage the growth and adoption of affordable housing and close the gap between supply and demand. These include a stamp duty exemption for first-time homebuyers, housing relief at 15% of employee contributions, and exempt value added tax (VAT) on imported and locally purchased goods for the construction of affordable homes. However, despite the incentives, issues of accessibility and affordability persist.
- The policy framework to affordable housing is set out in the Affordable Housing Programme (AHP) launched as part of the "Big Four" agenda in 2017. The measures for implementing the AHP are stipulated in the AHP Development Framework Guideline 2018. The policy framework provides for both the supply- and demand-side, creating an enabling environment and incentives to deliver housing.
- The government has set up three main bodies and platforms to help with the implementation of AHP. The *Boma Yangu* portal is intended to increase the programme's transparency while also making it simpler to follow its development.
- The National government through the NHC has continued to promote decent housing through schemes such as tenant purchase, outright sale, rural and peri-urban housing loans and rental housing. However, a lot of innovation is required to come up with an appropriate programme that encourages a reduction in the cost of construction to enable the realization of affordable prices and rent.
- The model of the AHP posits that land is a critical infrastructure for affordable housing supply. The government intends to make serviced land available to private developers through a public-private partnership (PPP) to support a large-scale supply of affordable homes. In addition, the government will provide infrastructure such as water, sewage, access roads and power to attract the private sector.
- Despite the progress made by the AHP, the objectives are yet to be met due to some limitations, which include the high cost of land and construction, inadequate financing, limited access to affordable mortgages, and extended timelines resulting from bureaucracies.

3.3 Key Trends in the Housing Finance Sector – Kenya

- Increasing demand for credit: Likely to spur demand for mortgage refinancing.
- Housing finance will be unlocked significantly if both state and non-state actors consider how people are building then developing financial mechanisms to support the same. According to a 2022 survey by KMRC and KBA, people are building incrementally, mainly through personal savings (54%) and loans through SACCOs (11%) among others as shown in Figure 4 below.
- Increasing urbanization and population: About 30% of Kenyans currently live in cities and towns, and it is projected that more than 50% will live in urban areas by 2030 (Kenya Common Country Analysis, 2018). The largest demand has been for affordable housing to cater for the 61% of urban dwellers who live in slums and the shortage in student accommodation accounting for 40% of the deficit. More developers are increasingly applying low-cost housing construction methods such as alternative building technologies which are known to reduce construction costs by as much as 50% according to a Cytonn research in October 2022.
- Homeownership according to research undertaken by *Habitat for Humanity, KMRC et al (August 2023)* shows that most people in Nairobi (67%), Nyeri (65%), Embu (60%), Kajiado (58%) and Mombasa (55%) rent. This avails opportunities for uptake of KMRC's product offering.

- 83% of total employment is in the informal sector, this portion of the population lacks access to mortgage loans due to insufficient credit risk information for meeting the criteria set in the mortgage products. This informs the need to develop a credit risk sharing facility to avert the PMLs risk averseness hence enabling mortgage uptake in the informal sector and to low-income earners.
- Most owner-occupied houses in the country (88.6%) were constructed by the owners themselves, over time speaking to incremental housing financing. Studies show that most individuals construct their homes over a period rather than buying (readily developed homes), hence the suitability of personal savings. This points to the need for incremental housing financing.
- In the recent past, new real estate financing products have been created, including real estate investment trusts (REITs), and Mezzanine Financing.
- In mid-2021, the World Bank estimated that Savings and Credit Cooperatives (SACCOs), provide approximately 90% of Kenya's total housing finance.
- Kenya's population and urbanization is growing at 2.3% and 4.0% respectively against the global average which is at 1.1% and 1.9% respectively according to World Bank. This is a key factor in driving the demand for Real Estate products and services exacerbating the current housing deficit that is at 2.0 mn units growing by 200,000 units p.a.
- The incoming supply of housing units stands at approximately 50,000 housing units a year with only two percent of this being for the low-income market against an annual demand of 250,000 units according to Reall,2021. It is estimated by Statista that Kenya has an estimated total number of households of 13,9M IN 2024 projected to grow to 14.2M in 2025.
- Over the last 10 years, the size of an average household in Kenya has decreased from 5.1 to 3.9, attributed to decreasing fertility rates, lifestyle changes and increasing literacy rates.
- Research by Knight Frank 2022 indicates that home buyers have embraced digital research, virtual viewings and virtual tours in search of properties.
- The housing market in Kenya is primarily a rental market. Affordability is critical.
- A Study conducted in 2021 by Haki Jamii study recommends that counties consider pragmatic ways of engaging the private sector, national government agencies, development partners and local investors to jump start housing for their people. They need to consider practical incentives they can give, e.g., planned land, house type plans, ease of approval, collaborating with Civil Society Organizations (CSOs), etc.
- According to the Home Ownership Survey by the Kenya Bankers Association, bank financing through home construction loans or home purchase loans, while a relatively highly used source of financing for home ownership, is not the most preferred financing model for home ownership compared to personal savings living in cities own their homes speaking to the potential of home ownership through mortgages in addition to exploring rent to own schemes/product in the future.
- The population of the major capital cities is rapidly increasing resulting into more apartment buildings developing along the skyline.
- The rapid rate of urbanization in Kenya continues to create demand for housing and urban infrastructure.
- The Real Estate Sector growth of 5.2% in 2021 (projected by Statista to be 3.84% between 2024 and 2028) coupled with the increase in use of savings from 69.9 per cent in 2019 to 74.0 per cent in 2021 alongside the increased uptake of credit/loans from 50.4 per cent in 2019 to 60.8% cent in 2021 set a precedent on mortgage uptake.

In 2024 and beyond the following is anticipated:

- Government's continued Focus on Affordable Housing: The Kenyan government has continued to put its best foot forward towards delivering affordable housing to its citizens. Currently, the AHP pipeline boasts of an estimated total of 838,876 housing units under construction by both the government and private sector, according to the Architectural Association of Kenya (AAK's) Status of the Built Environment Report 2023. In addition, the government is attempting to develop a pool of resources geared towards the provision of affordable housing through the introduction of the affordable housing levy under the Affordable Housing Act 2024
- Provision of Affordable Mortgage Financing: KMRC has continued to drive the availability and affordability of home loans to Kenyans by providing single-digit fixed rate, and long-term finance to Primary Mortgage Lenders (PMLs) such as banks and SACCOs.

- Continued Recognition of Kenya as a Regional Business Hub: Kenya continues to enjoy recognition as a regional business hub. As a result, foreign entities have continued to open business operations in Kenya, boosting the demand for both commercial and residential Real Estate. Increased business activity has driven up demand for office space, apartments, and housing near business hubs, leading to development of new projects, increased property values, and job creation in the construction sector.
- Positive Demographics: With relatively high urbanization and population growth rates of 3.7% p.a and 1.9% p.a, respectively, against the global average of 1.5% p.a and 0.8% p.a, respectively, as at 2022, there was a sustained demand for more housing units in the country, and Real Estate in general,
- Alternative Real Estate Markets: The alternatives market, particularly the rising popularity of purpose-built student residences, health and data centres, and consular housing, presents a promising avenue for growth of the sector in 2024.

Despite the above drivers, the sector's optimal performance is expected to be hampered by the following factors in 2024:

- Rising Construction Costs: In 2023, construction costs increased by 27.0% to an average of KES.71,200 per m² from an average of KES. 56,075 per m² recorded in 2022. The rise is primarily due to the hike in prices of key construction materials such as cement, steel, paint, aluminium, and PVC on the back of rising inflation. These higher costs are expected to impede development activities in the sector and make affordability of homes.
- Tough Micro-economic Conditions: These include high inflation and rising interest rates which have led to eroded purchasing power and expensive borrowing respectively. This impacts the Real Estate sector negatively as developers enjoy less profit margins due to the inflated construction costs. Additionally, increased interest rates make borrowing more expensive, further dampening demand for mortgages and lending to developers.
- Constrained financing to developers: Lenders continues to tighten their lending requirements and demand more collateral from developers as a result of the high credit risk in the real estate sector. This is evidenced by a 20.9% surge in gross Non-Performing Loans (NPLs) in the Real Estate sector, reaching KES. 96.0Bn in Q2'2023, up from KES.79.4Bn recorded during the same period in 2022.
- Underdeveloped capital markets: Banks in Kenya are the primary source of funding for real estate developers, providing nearly 95.0% of funding as opposed to 40.0% in developed countries. This means that capital markets contribute only 5.0% of Real Estate development funding, compared to 60.0% in developed countries.

3.4 Insights from International Mortgage Refinancing Practice

NMRC Nigeria Mortgage Refinance Company (Licensed by the Central Bank of Nigeria)	▪ Tapped blockchain technology's capacity for tamper-proof record keeping esp. on land titling, to build a robust national asset registry system for driving real estate transactions.
	▪ Adopted Housing Market System which integrates the financing operations of the key components of the entire housing value chain from construction finance to primary mortgage origination and administration to secondary market mortgage refinancing.
	▪ NMRC is working with market stakeholders to create a National Real Estate Data Collation & Management Program (NR-DCMP) that will provide industry-wide data on real estate activities in Nigeria. The program is specifically developed to create a data repository on real estate

	and housing development across different value chains for use by policy makers, investors and the Nigerian public.
	▪ Development and institutionalizing of the Uniform Underwriting Standards (UUS) to widen the net of potential borrowers and enhance financial inclusion. The standards, which are now used by all NMRC member mortgage lending institutions for processing mortgage applications promote uniformity, efficiency and mitigate mortgage financing risks. Mortgage underwriting standards has led to a significant increase in the turnaround time for processing mortgage loans, zero default rate on mortgage portfolios of NMRC member banks and increased collaboration by housing value chain players.
	▪ Introducing innovative financing models such as mortgage-backed securities (MBS) to attract institutional investors and diversify funding sources.
	▪ Investing in capacity building initiatives to strengthen the skills and capabilities of mortgage lenders and stakeholders.
	▪ Challenges: Addressing operational challenges to improve refinancing processes and reduce transaction costs.
	▪ Opportunities: Leveraging Nigeria's demographic trends and urbanization for sustainable growth in housing finance.

TMRC TANZANIA MORTGAGE REFINANCE COMPANY LTD	▪ Developing Housing Microfinance. TMRC plans to develop new mechanisms and structures to invest capital in banks and other financial institutions, for the purpose of on-lending to low-income families through new housing microfinance products.
	▪ Diversification of its offering to target the potential outside the traditional mortgage market
	▪ TMRC has expanded access to mortgage finance in Tanzania, particularly targeting low and middle-income earners.
	▪ Introducing green mortgage products to promote sustainable housing solutions and energy-efficient homes.
	▪ Implementing reforms to simplify property registration processes and enhance transparency in mortgage transactions.
	▪ Challenges: Raising awareness about mortgage products and refinancing options among potential borrowers.

	▪ Opportunities: Scaling operations and reaching underserved rural areas with tailored mortgage products.

PMRC Pakistan Mortgage Refinance Company Limited	▪ PMRC refinance product is based on refinance with recourse model. Objective of refinance is to provide liquidity to Primary Mortgage Lenders (PMLs) for expanding their mortgage loan portfolio. Refinance provides flexibility to generate mortgage loan portfolio on fixed rates which reduces the credit risk and provide comfort to end borrower for fixed instalment for a longer period.
	▪ Prefinance option is available for financial institutions that do not have an existing mortgage loan portfolio however intend to enter into housing finance market. Alternate collateral i.e. PIBs, T bills etc. can be given as temporary security which will be replaced with eligible mortgage portfolio once created.
	▪ Refinance is available in both Conventional and Islamic Shariah-compliant mode of finance. Target market for this product consists of Financial Institutions (FIs) including Banks/DFIs/HFCs/MFBs/MFIs/NBFCs.
	▪ Government of Pakistan and the Trustee (PMRC) have entered a Trust Deed for the establishment of a Trust which shall provide partial credit guarantee for low-income housing (Credit Guarantee Scheme) to qualified financial institutions.
	▪ Credit Guarantee Scheme is developed to cater the portfolios of conventional as well as Islamic financial institutions.
	▪ Introducing innovative refinancing products like fixed-rate mortgages and adjustable-rate mortgages to cater to diverse borrower needs.
	▪ Adopting digital platforms to streamline refinancing processes and improve efficiency in loan origination and servicing.
	▪ Challenges: Expanding mortgage penetration due to regulatory constraints and economic volatility.
	▪ Opportunities: Potential growth opportunities in urban centres with rising demand for housing and supportive government policies.

SA Home Loans	▪ Going beyond mortgage financing- Product range home loans, special home loans, insurance, personal lending and further lending paid over and above your required home loan instalment.

	▪ Offers "securitisation", a globally established way of funding mortgages where an alternative method of funding is developed to bypass the banks and link borrowers directly to the capital markets.
	▪ SAHL has launched and serviced eleven Residential Mortgage-Backed Security ("RMBS") term funding structures, and the creditworthiness of each is fully evaluated by independent rating agencies.
	▪ Responds to changes in the interest rate environment to offer competitive refinancing rates, influenced by the South African Reserve Bank's monetary policy decisions.
	▪ Introduces innovative refinancing products such as cash-out refinancing and debt consolidation loans to meet diverse borrower requirements.
	▪ Invests in digital platforms to streamline the refinancing process, enhance operational efficiency, and improve customer experience.
	▪ Challenges: Navigates economic volatility and currency fluctuations that impact interest rates and borrower affordability.
	▪ Opportunities: Expanding market presence and reaching underserved segments through strategic partnerships and innovative financing solutions.

Freddie Mac We make home possible®	▪ Developed Underwriting Innovation to help lenders qualify more borrowers for a mortgage, including a review of a borrower's bank account data to identify a history of positive monthly cash flow activity as part of its technology's loan purchase eligibility assessments.
	▪ Modernized their mortgage origination process to deliver lender efficiencies that can lead to cost savings and improvements to the borrower experience.
	▪ Responsive to fluctuations in interest rates, offering refinancing options during periods of low interest rates to lower monthly payments or shorten loan terms.
	▪ Implements initiatives like the Home Affordable Refinance Program (HARP) to assist underwater borrowers in refinancing their mortgages, promoting financial stability.
	▪ Manages credit risk through rigorous underwriting standards and risk mitigation strategies, ensuring sustainable refinancing practices.
	▪ Invests in digital mortgage platforms to streamline refinancing processes, reduce paperwork, and enhance borrower engagement.

	▪ Utilizes data analytics to assess market trends, borrower behaviour, and risk profiles, optimizing refinancing strategies and product offerings.
	▪ Plays a role in stimulating the housing market by maintaining liquidity and providing stability, particularly during economic downturns.
	▪ Collaborates with stakeholders to support affordable housing initiatives and expand access to homeownership through refinancing opportunities.
	▪ Challenges: Adapts to evolving regulatory requirements and compliance standards governing GSEs and mortgage finance operations.
	▪ Opportunities: Navigates competitive pressures and market dynamics to sustain profitability while fulfilling its public mission of supporting the housing market.

KMRC will explore the opportunities highlighted above for consideration and adoption.

3.5 SWOT Analysis

Table 1: SWOT Analysis

Strengths	Weaknesses
▪ Visionary Leadership (Board and Management): Drives success, fosters innovation, and motivates teams to overcome challenges. ▪ KMRC's lean and efficient structure: Enables efficient decision-making and effective goal achievement. ▪ Strong brand recognition: Enhances trust, credibility, and sustainability. ▪ Government support: Boosts confidence, liquidity through concessional funding, and promotes economic growth. ▪ Skilled, competent, and dedicated staff: Enhances expertise and productivity. ▪ Technology deployment: Enhances operational efficiency and decision-making. ▪ Strong corporate governance structures: Full compliance/adherence to policies and statutory obligations ensures consistency, compliance, and risk management. ▪ Funding from National Treasury: Ensures credibility and financial stability. ▪ System deployment: Optimizes acquisition and retention. ▪ Product development: Reflects responsiveness to market needs, with potential for expansion. ▪ Supportive PMLs: Potential to increase our products' uptake. ▪ Strategic Partners: Good working relationship with strategic partners. ▪ Strong value proposition of KMRC's offering: Affordable loans - Single digit and fixed Interest rates; 105% long term:	▪ Sustainability & Impact – Need to utilize funds and generate revenues from its core business. ▪ Limited number of PMLs: Narrower catchment/market for uptake of KMRC's products/services. ▪ Limited awareness about KMRC's role and product offering: Impeding uptake of its products/services. ▪ Shortage of affordable housing: Limiting uptake of KMRC's products. ▪ High property prices: Hinders homeownership for many. ▪ High incidental costs associated with property transactions: Strains homebuyers' finances. ▪ Absence of credit scoring mechanisms for the informal sector limits access to mortgage refinancing. ▪ Risk aversion among PMLs. ▪ Bureaucratic delays and high costs in property registration. ▪ Sub-optimal staffing levels (24 vs. 35): Insufficient staff capacity hampers efficient delivery. ▪ Challenges in accessing alternative funding sources: Constraining mortgage lending. ▪ Limited diversity in KMRC's housing finance products: Restricting borrower options. ▪ Lack of rich data: Impeding evidence-based policymaking in housing finance. ▪ Lack of a robust marketing strategy. ▪ Lack of clear succession planning and career progression paths ▪ Need to enhance the performance management system. ▪ Organization Structure lacks full clarity, affects organizational alignment. ▪ Non-Utilization of KMRC's product offering.
Opportunities	**Threats**

▪ Technology/Digitization: Adopting tech/digitization solutions for enhanced efficiency. ▪ Strategic Partnerships: Expand KMRC's market presence by partnering with SACCOS for wider access to housing finance. ▪ Programmatic partnerships with non-traditional stakeholders to address housing finance challenges collaboratively. ▪ Enhancing R&D capability enables KMRC to innovate, analyse markets, and develop new financial products effectively. ▪ Educating stakeholders about mortgage refinancing benefits through workshops and campaigns. ▪ Product Diversification: KMRC explores diversified funding sources for expanded product offerings, including TPS, Rent to Own, Green bonds and Sharia-compliant products. ▪ Government Support: Government's BETA agenda on affordable housing; Concessional Funding; and fostering collaboration between government, developers, and stakeholders to tackle housing finance challenges. ▪ Collaborating with the government on regulatory changes supports housing industry growth and addresses deficits. ▪ Credit RSF: Implement a credit risk-sharing facility with alternative credit scoring to make mortgages more accessible. ▪ Policy influence and Advocacy: To influence policies favouring the mortgage market's growth, especially in affordable housing. ▪ Technical assistance to PMLs to enhance operational efficiency and strengthens the housing finance sector. ▪ Innovation: Driving innovations in the housing value chain to make homeownership accessible for lower-income groups. ▪ Growing middle class: Increasing disposable incomes for KMRCs product uptake. ▪ Growing middle class: Increasing disposable incomes for KMRCs product uptake. ▪ Available market: Total addressable mortgage market of 32 commercial banks and 361 SACCOs (regulated). ▪ Diaspora remittances: Leverage on the over 10% of the remittances are injected into real estate. ▪ High market interest rates: KMRC's affordable products more are attractive. ▪ Housing deficits – creating demand for KMRC's products. KMRC to partner with PMLs to refinance portfolios for developer financing.	▪ Regulatory Changes and Trends. ▪ Limited Financial Literacy and Education. ▪ Phobia of Kenyans on mortgages – impeding uptake ▪ High Inflation: Reduced disposable incomes to onboard mortgages. ▪ Misconceptions about KMRC ▪ Entry into mortgage refinancing space by other players in Kenya. ▪ Disruptions in Technology and Innovation ▪ Cybercrime

3.6 Review of KMRC Historical Performance

The following is a summary of the review of the previous KMRC's financial performance.

3.6.1 Financial Performance 2019-2023: Statement of Comprehensive Income

By the end of FY 2023, KMRC had only earned KES 390 million from its primary business of providing loans and advances. This indicates the company's struggle to boost lending activities to leverage its offerings and optimize revenue. Additional interest income stems from investments in government securities.

The balance sheet size experienced remarkable growth, expanding by 11 times, as evidenced by the rise in total assets from KES 2.2 billion in 2019 to KES 26 billion in 2024. The income generated from increased investments in government securities, listed under cash and cash equivalents, is commendable. However, the company should prioritize allocating most of its funds towards financing affordable housing initiatives to make a meaningful impact as intended.

3.6.2 Review of Actual Performance vis a vis Strategic Ambitions (2019-2023)

An evaluation of the company's performance against the strategic plan targets (2020-2024) revealed variances between targeted objectives and actual performance, underscoring the need for realignment of strategies or execution approaches.

i) Annual Loan Disbursements

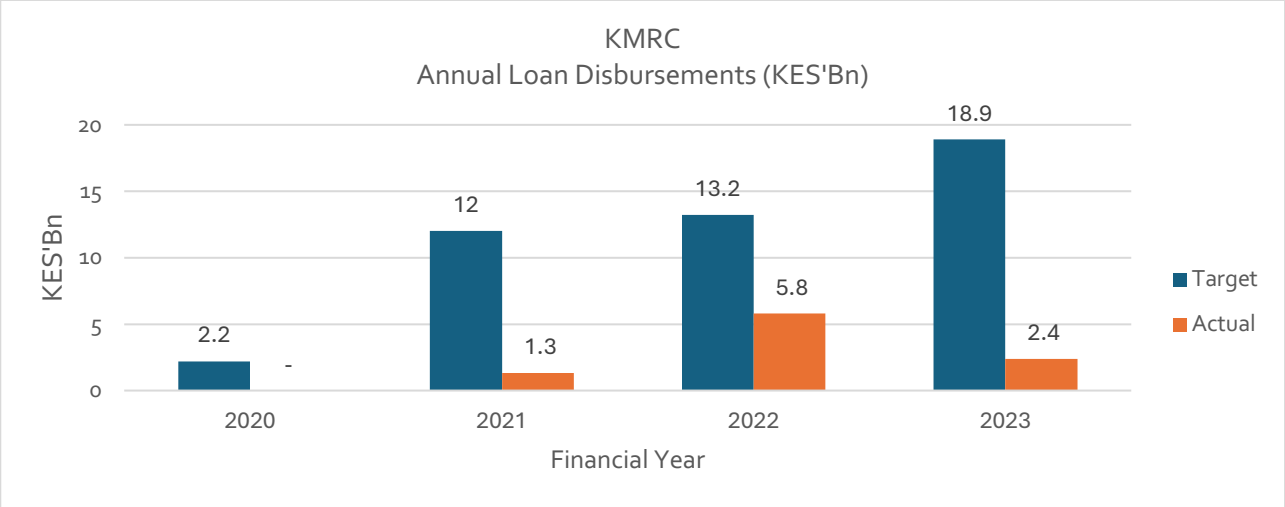


Figure 2: Annual Loan Disbursements (KES. Bn)

KMRC consistently missed its annual loan disbursement goals over four years due to execution challenges, market conditions, and strategic misalignment. The significant gaps between targets and actual disbursements raise concerns about KMRC's lending strategy, resource allocation, and operational abilities.
KMRC Strategic Response (2024-2029): To analyze market dynamics causing the loan disbursement shortfall and make strategic adjustments. It will reassess goals, refine strategies, and improve execution to align with market demand and achieve future objectives.

ii) Balance Sheet Size (Liabilities and Equity)

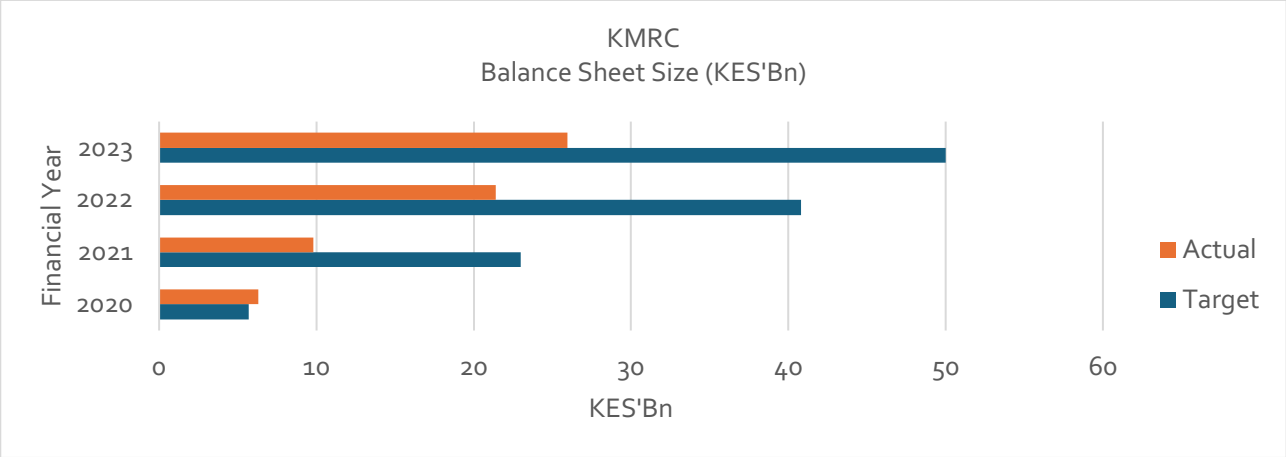


Figure 3: Balance Sheet Size (KES. Bn)

The above analysis reveals fluctuations in the company's ability to meet its target balance sheet size over the four years. While there are instances of exceeding targets, such as in 2020, there are also significant shortfalls, as seen in years 2021, 2022 and 2023.

KMRC's Strategic Response (2024-2029): Maintain accurate financial forecasting, effective financial management, and strategic decision-making to ensure alignment with organizational goals and objectives. KMRC to consider deploying proactive measures to address challenges and capitalize on opportunities for growth and improvement. Continuously monitor and analyse market conditions, asset quality, and financial performance, and conduct regular stress tests and scenario analyses to identify potential risks and opportunities for improvement.

iii) Total and Net Interest Income

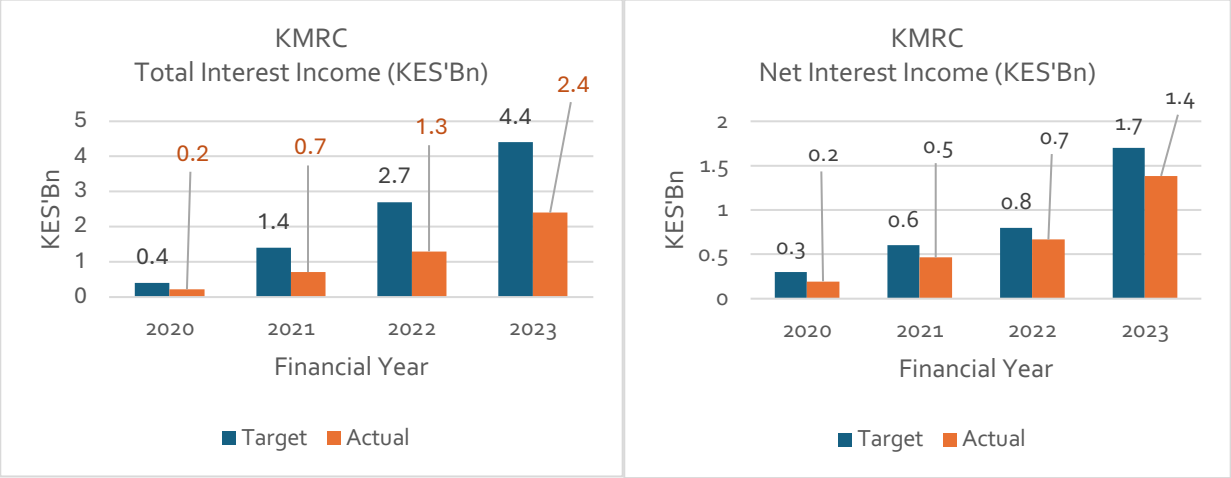


Figure 4: Total and Net Interest Income (KES. Bn)

Over the four (4) years, the actual values consistently fell short of the set targets. There is a trend of improvement in actual performance over the years, with incremental increases in actual values. However, the gap between actual and target values remains significant, indicating a consistent underperformance compared to the expectations.

KMRC's strategic response (2024-2029): KMRC to identify the factors contributing to this underperformance and take corrective actions to align its efforts more closely with the set targets. Reallocating resources and improving execution effectiveness could be necessary steps to address this issue and improve future performance.

iv) Capital Adequacy (Total Capital to Risk Weighted Assets) Ratio

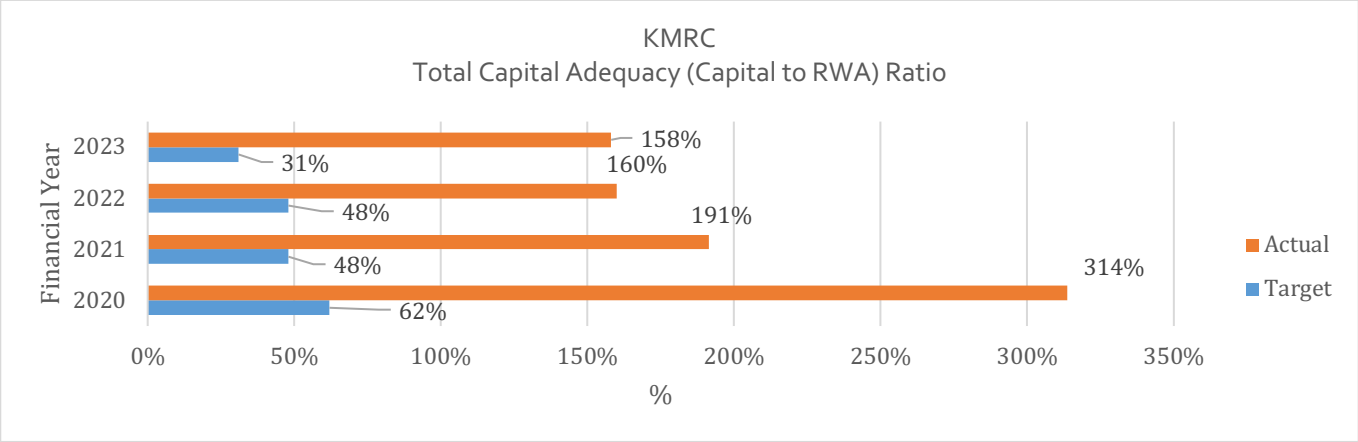


Figure 5: Capital Adequacy Ratio (CAR)

The capital adequacy ratio (CAR) is a measure of the institution's financial strength and its ability to absorb potential losses. KMRC did fairly well in its actual vs target CARs. Significantly lower CARs were envisaged when developing the targets during strategic planning.

KMRC's Strategic Response: Overall, the company performed well against the CBK minimum requirement of 14.5%. However, there is need for attention to capital management and risk mitigation strategies to ensure financial stability and regulatory compliance. There is also need to explore increasing capitalization of the company to meet its operational needs.

v) Liquidity Ratio

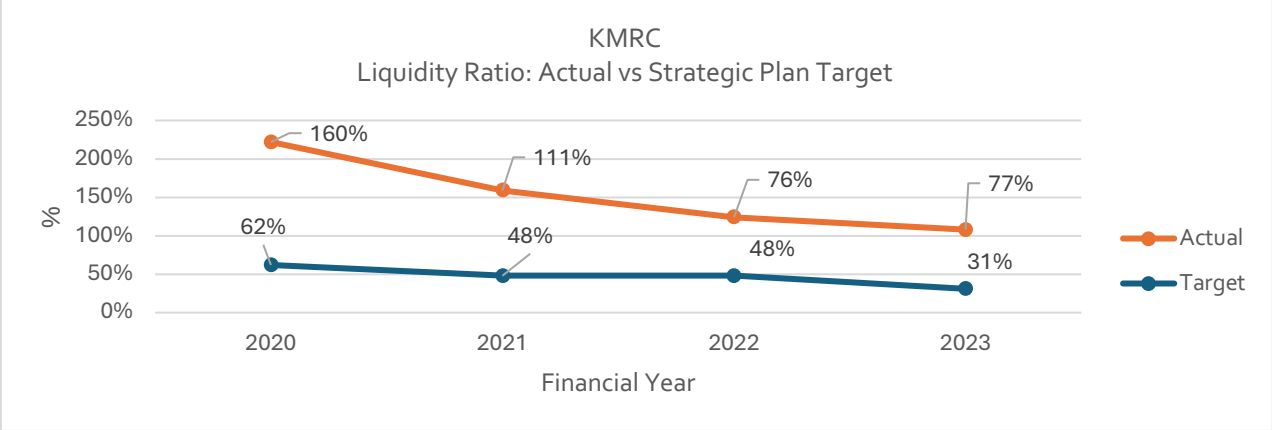


Figure 6: Liquidity Ratio

Overall, the analysis highlights a declining trend in the liquidity ratios for KRMC over the years, however, sufficient liquidity buffers exist with the ratios remaining well above the CBK's regulatory thresholds of 20%. Moreover, the above target also shows higher actual liquidity ratios than what was envisaged during strategic planning.

Other Important Ratios

The following are other important ratios that were not factored/projected in the Strategic Plan (2019-2024).

vi) Loan to Value Ratio

The Loan to Value (LTV) ratio expresses the proportion of a loan to the value of an asset purchased with the loan. The following table shows KMRC's LTV performance for the three years 2021-2023.

Ratio	2019	2020	2021	2022	2023	Int'l Benchmark
Loan to Value Ratio (LTV)	-	-	31.5%	41.4%	44.1%	80-90%

When compared with the international benchmark range for LTV ratios of 80-90%, KMRC's LTV ratios for the years 2021 through 2023 are significantly lower. Maintaining lower LTV ratios can mitigate credit risk for KMRC by reducing exposure to potential losses in the event of borrower default even though the risk is minimum because PMLs cover the full risks. In summary, KMRC's LTV ratios demonstrate a cautious approach to mortgage refinancing, with ratios well below the international benchmark range. This approach helps mitigate credit risk but may also impact accessibility to mortgage credit for potential homebuyers.
KMRC's Strategic response (2024-2029): KMRC needs to strike a balance between risk mitigation and facilitating access to mortgage credit to ensure the sustainability and growth of the housing finance market in Kenya.

vii) Net Interest Margin (NIM)

Ratio	2019	2020	2021	2022	2023	Int'l Benchmark
Net Interest Margin (NIM)	6%	3%	5%	3%	5%	2-4%

The Net Interest Margin (NIM) data provided presents the ratio of net interest income to average interest-earning assets, expressed as a percentage, for the years 2019 through 2023, along with an international benchmark range.
Over the five years, the organization's NIM ratios fluctuated around this benchmark range (2-4%), indicating performance that is generally within industry norms or international standards. The fluctuations over years also reflect changes in the organization's profitability from interest-earning assets. However, NIM ratios generally remained within the international benchmark range of 2-4%, indicating performance consistent with industry norms. The organization experienced both improvements and setbacks in NIM ratios, suggesting the influence of various internal and external factors on its profitability.
KMRC's strategic response: Continuous monitoring and analysis of NIM ratios will help the company in identifying trends, assess performance relative to benchmarks, and make informed decisions to enhance profitability and maintain competitiveness in the market.

3. WHERE WE ARE GOING!

Our Vision

- To sustainably promote home ownership.

Our Mission

- To increase affordability of home loans through refinancing.

Our Core Values

Our values (ethos) serve as the touchstone for all our policies, programs and culture. From our management structure to our employee development programme, our values align us to our larger goals, helping us to reach our objectives, clarify our expectations, prioritise, and make decisions. "If you compromise your core values, you go nowhere" - Roy T. Bennett

We will use the following value systems to sustain our organisational norms:

- Collaboration: Together, we forge strategic partnerships to nurture and expand the housing market.
- Integrity: Our foundation is built on unwavering ethical standards, fostering transparency and trust in every facet of our operations.
- Innovation: We drive forward through constant evolution, refining our products, processes, and staff development to push the boundaries of possibility.
- Efficiency: We relentlessly pursue impact, minimizing waste with agile policies and procedures that adapt to the dynamic needs of our mission.

4. STRATEGIC PILLARS, GOALS, OBJECTIVES AND TARGETS

To ensure success, KMRC will underpin its strategy on the following six (6) pillars, goals and objectives.

Pillar 1: Financial Growth and Sustainability

Strategic Goal: **To secure financial growth and long-term sustainability through increased mortgage refinancing, strategic investments, risk management, operational efficiency, and stakeholder value maximization.**

#	Strategic Objective	KPIs/Targets	Dep't Responsible	Timeframe/ Deadline
1.	To grow revenues and drive efficiency to optimize Opex for financial sustainability and impact.	**Revenue & Profitability Targets:** ▪ Loan Disbursements (KES) targets (as per section 5.1) achieved. Overall CAGR growth of 33.2%) attained. ▪ Loan Disbursements (Numbers/Volume) targets (as per section 5.1) achieved. ▪ 100% Revenue targets (as per Section 5.2) achieved. ▪ Target profitability ratios (as per section 5.4) e.g. NPM, ROE and ROA achieved. ▪ NIM targets (as per section 5.4) achieved. ▪ Target Capital Adequacy Ratios (as per section 5.4) achieved. ▪ Target Efficiency/Opex ratios (as per section 5.4) attained.	Finance/Refinancing/ Research & Strategy	Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly)

#	Strategic Objective	KPIs/Targets	Dep't Responsible	Timeframe/ Deadline
2.	Maintain a strong liquidity position to enable the company to meet short term obligations as they fall due.	Liquidity ratios (as per section 5.3) projected in the financial statements achieved.	Finance	Continuous (Quarterly)
3.	To explore funding partnerships with other organizations which will provide additional alternative capital needs for the business.	▪ At least 2 new funding partnerships established annually. ▪ Percentage of total revenue contributed by new funding partners.	Research & Strategy	Continuous (Annually) Continuous (Annually)
4.	To explore green funding which aims at driving environmental impact and sustainability.	▪ Green funding/refinancing rolled out. ▪ To contribute xx % of the total revenues.	Research and Strategy/Finance/Refinancing	30 June 2025 31 Dec 2025
5.	To explore issuance of mortgage-backed securities (MBS) as soon as the macro-economic environment allows.	▪ Engage with regulators MBS commissioning. ▪ No. of policy proposals/papers on mortgage-based securities. ▪ Uptake of MBS products.	Research & Strategy /Refinancing	31 Dec 2025 30 June 2025 30 June 2025
6.	To attract Government's continued support for KMRC to access concessional funding due to its developmental focus and the impact it is creating in increasing accessibility of affordable housing finance to Kenyans.	▪ Level of concessional funding received from GoK, YoY.	R&D & SP	Continuous (YoY)
7.	Operationalize the Risk Sharing Facility.	▪ RSF launched and operationalized ▪ Digital assessment tools developed. ▪ Mechanism for relaxing regulatory requirements established.	Refinancing	31 Dec 2024 31 Dec 2024 31 Dec 2024
8.	Review the credit policy specifically on how to deal with exemptions for PMLs who are not meeting the requirements and need to be refinanced.	▪ New credit policy with exemptions for non-shareholder PMLs established and approved for implementation	Refinancing	31 July 2024

#	Strategic Objective	KPIs/Targets	Dep't Responsible	Timeframe/ Deadline
9.	Formulate and implement mechanism/framework for lending to non-KMRC shareholders amongst Commercial Banks and SACCOs.	▪ Number of new non-shareholder customers acquired within a specified time. ▪ Percentage increase in the number of non-shareholder customers compared to the previous period. ▪ Percentage of total loan portfolio comprised of loans to non-shareholders. ▪ Growth rate of loan portfolio to non-shareholders compared to the overall loan portfolio growth. ▪ Total revenue generated from interest, fees, and other income related to loans provided to non-shareholders. ▪ Percentage of total revenue attributed to non-shareholder loans. ▪ Net Promoter Score (NPS) or customer satisfaction survey results specific to non-shareholder customers. ▪ Rate of customer retention and churn for non-shareholder customers. ▪ Risk Management: Delinquency rates and loan default rates for non-shareholder loans compared to shareholder loans. ▪ Risk-adjusted return on capital (RAROC) for non-shareholder loans. ▪ Percentage of target market served by KMRC among non-shareholder customers (Out of total addressable market for Banks and SACCOs). ▪ Number of new loan products or services tailored for non-shareholder customers. ▪ Percentage of non-shareholder customers consuming additional KMRC products or services.	Refinancing/Legal and CS/Risk & Compliance	Continuous (Quarterly) Continuous (Monthly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Biannually) Continuous (Annually) Continuous (Annually) Continuous (Annually) Continuous (Annually) Continuous (Biannually)

#	Strategic Objective	KPIs/Targets	Dep't Responsible	Timeframe/ Deadline
				Continuous (Biannually) Continuous (Quarterly)
10.	To leverage Mortgage-Backed Securities (MBS) as a core financial instrument to optimize liquidity, mitigate risk, and enhance profitability for the company.	▪ MBS Portfolio Yield: Average yield generated by MBS portfolios. ▪ MBS Investment Diversification Ratio: Percentage of MBS portfolio diversified across mortgage types, regions, and credit profiles. ▪ Capital Efficiency Ratio: Ratio of MBS investments to total capital employed. ▪ Risk-Adjusted Return on MBS: Return generated by MBS portfolio adjusted for risk. ▪ MBS Investment Turnover Ratio: Frequency of turnover within MBS portfolio. ▪ Regulatory Compliance Score: Company's compliance with MBS investment regulations. ▪ MBS Investment Performance Benchmarking: Comparison of MBS portfolio performance to market benchmarks. ▪ MBS Investment Analytics Utilization: Adoption and utilization of analytics tools for MBS investments. ▪ Customer Satisfaction Index: Gauge of customer satisfaction with MBS investment products and services.	Refinancing/Finance /Risk and Compliance	Continuous (Quarterly) Continuous (Quarterly) Continuous (Biannually) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Biannually) Continuous (Quarterly) Continuous (Annually)

#	Strategic Objective	KPIs/Targets	Dep't Responsible	Timeframe/ Deadline
11.	Review the loan eligibility criteria given the macro-economic environment the business is operating in.	▪ New loan eligibility criteria approved. ▪ Implement the criteria thereafter	Refinancing/Legal & CS/Risk & Compliance	30 June 2024 Continuous
12.	Engage the Government and explore how KMRC can also benefit from the Affordable Housing Fund to accelerate the uptake of KMRC products.	▪ % increase in stakeholder awareness of Affordable Housing Fund benefits. ▪ Quarterly acceleration rate of KMRC product uptake via National Housing Development Fund collaboration. ▪ Percentage of progress towards developing a framework or plan for incorporating the housing levy into RSF activities. ▪ Percentage of improvement in RSF effectiveness attributed to the inclusion of the housing levy, measured quarterly.	Research & Strategy	Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly)
13.	Explore how housing levy could enhance the operationalization of the RSF.	▪ Percentage of progress towards developing a framework or plan for incorporating the housing levy into RSF activities. ▪ No. of RSF initiatives or programs directly benefiting from the integration of the housing levy. ▪ Percentage improvement in RSF effectiveness attributed to the inclusion of the housing levy, measured quarterly.	Refinancing/Legal & CS/Risk & Compliance	31 Dec 2024 31 Dec 2024 Continuous (Quarterly)

lar 2: Research and Development

Strategic Goal: **To drive innovation through research and development initiatives, enhancing products, processes and technology to meet mortgage refinancing needs.**

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/ Deadline
1.	To enhance KMRC's research capacity so that policies and decisions made are data driven.	▪ Research and Development Strategy in place. ▪ At least four (4) capacity building programmes annually. ▪ No. of strategic research partnerships increased. ▪ No. of policy research and analysis outputs published. ▪ No. of research outputs produced on regional and global developments. ▪ Developed and implemented a research policy with a framework to guide data collection and storage. ▪ Strengthened research communication: Number of published reports	Research and Strategy	31 Dec 2024 Continuous (Annually) Continuous (Annually) Continuous (Annually) Continuous (Annually) 31 Dec 2024 Continuous (Annually)
2.	To continue exploring and proposing policy interventions that can stimulate both the supply and demand side of the affordable housing sector.	▪ No. of policy memoranda developed. ▪ No. of approvals obtained, and policy changes made attributed to KMRC's intervention.	Research and Strategy	Continuous (Quarterly) Continuous (Quarterly)
3.	To develop an information repository of affordable housing projects.	▪ Information repository developed and operationalized	Research and Strategy	31 July 2024
	Product Diversification:			
4.	To undertake market research to enable diversified product offering.	▪ Market surveys conducted: o At least 1 by the end of FY 2024 and o 2 by end of FY 2025 o Twice YoY thereafter	Research and Strategy	31 Dec 2024 31 Dec 2025 Continuous
5.	To work with PMLs to develop innovative products.	▪ New Products such as green financing, TPS, Rent to Own, Developer Financing, Incremental financing, Plot	Research and Strategy	31 Dec 2025

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/ Deadline
		Purchase and Shariah compliant products launched including Islamic Home Loans and operationalized.		
6.	To work closely with PMLs in exploring plausibility of making mortgages attractive similar to check off loans and simplifying the loan origination process.	▪ Percentage increase in uptake of KMRC products by salaried personnel.	Research and Strategy	Continuous (Quarterly)

Pillar 3: Governance

Strategic Goal: **To maintain transparent governance structures and practices by upholding integrity ensuring full compliance, accountability and stakeholder trust.**

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
1.	To ensure full compliance/adherence to regulatory requirements and standards governing mortgage refinancing.	▪ 100% compliance with governance systems/structures ▪ Internal and External Audits undertaken as per plans/schedules. ▪ The company fully (100%) mitigated against any risks.	All HoDs	Continuous As per plans Continuous
2.	To strengthen the board and governance structures to ensure effective oversight over strategic decision-making, and risk management processes.	▪ All (100%) of the planned board activities accomplished. ▪ No. of strategic interventions approved by the Board.	Legal and CS	Continuous (Quarterly) Continuous (Quarterly)
3. 2.	To enhance communication and collaboration with stakeholders, to foster transparency, trust, and alignment of interests, thereby enhancing corporate governance and accountability.	▪ No. of stakeholder engagement activities conducted quarterly. ▪ Percentage increase in stakeholder satisfaction scores, measured bi-annually through surveys. ▪ No. of key stakeholders reporting improved transparency and trust in the organization.	Research & Strategy/ Legal and CS	Continuous (Quarterly) Continuous (Biannually) Continuous (Annually) Continuous (Annually)

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
		▪ No. of collaborative initiatives or partnerships established with stakeholders annually.		
4. 3.	To implement robust risk management framework to safeguard the company's financial stability and resilience.	▪ Continuously identify, assess, mitigate, and monitor risks inherent in mortgage refinancing operations. ▪ Risk Management Framework fully implemented - 100% of risks mitigated.	Risk and Compliance	Continuous Continuous
5. 4.	To promote a culture of ethical conduct, integrity, and professionalism among employees at all levels of the organization through training, policies, and incentives, fostering a work environment where ethical decision-making is prioritized.	▪ Full (100%) adherence to the Ethics and Integrity Codes of Conduct. ▪ Ethics Perception Survey Results: Score from annual employee surveys assessing perceptions of the organization's ethical culture.	HR	Continuous Continuous (Annually)
6. 5.	To embrace a culture of adopting and employing best practices, continuous improvement and learning, encouraging feedback, innovation, and adaptation to changing market dynamics, technological advancements, and regulatory requirements, to drive operational excellence in mortgage refinancing.	▪ Percentage increase in operational efficiency attributed to implemented improvement processes. ▪ Feedback Uptake Rate: 100% of employees providing feedback through designated channels. ▪ Innovation Index: No. of new innovative ideas generated and implemented within a specified period. ▪ Market Adaptation Speed: Time taken to adapt to significant changes in the market environment. ▪ Technology Adoption Rate: No. of technological advancements successfully integrated into operations.	All HoDs	Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
		▪ Regulatory Compliance Score: Percentage rating based on compliance with relevant regulatory requirements and standards.		
7.	To implement Environmental, Social, and Governance (ESG) practices by implementing initiatives that promote sustainability, foster community engagement, and uphold environmental standards throughout our operations and stakeholder interactions.	▪ **Environmental Performance:** ▪ No of initiatives implemented towards reduction in carbon footprint through measures such as optimized logistics and paperless processes. ▪ Increase in energy efficiency (measured in kilowatt-hours per square foot or equivalent) through measures such as using LED lighting, optimizing heating and cooling systems, and reducing energy consumption from electronic devices. ▪ Percentage of renewable energy sources used in operations. ▪ No. of green (re)financing products offered by the company. ▪ Water usage reduction (measured in gallons or litres) ▪ Waste reduction and recycling rate. ▪ **Social Impact:** • Community engagement metrics, such as: ○ Number of community partnerships established or maintained. ○ Participation in community events or initiatives ○ Volunteer hours contributed by employees.	All HoDs All HoDs	Continuous (Biannually) Continuous (Biannually) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Bi-annually) Continuous (Bi-annually) Continuous (Bi-annually) Continuous (Annually)

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
		• Diversity and inclusion metrics, such as: ○ Percentage of diverse hires ○ Employee satisfaction survey results related to inclusion. ○ Diversity training participation rates • Customer satisfaction scores related to social responsibility initiatives.	All HoDs	Continuous (Annually) Continuous (Annually) Continuous (Annually) Continuous (Annually)
		▪ **Governance:** • Compliance with regulatory standards and certifications (e.g., ESG reporting standards, ISO 14001 for environmental management) • Board diversity metrics (e.g., percentage of women and minorities on the board) • Transparency and accountability measures, such as: ○ Percentage of ethical standards complied with. ○ Executive compensation alignment with ESG performance		Continuous (Annually) Continuous (Annually) Continuous (Annually) Continuous (Annually) Continuous (Annually)
		▪ **Overall ESG Performance:**		

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
		▪ ESG ratings from independent agencies. ▪ Number of investment decisions that are integrated with ESG criteria. ▪ Recognition or awards received for ESG leadership within the industryTop of Form.		Continuous (Annually)
8.	Internal audits carried out regularly as per plan External audit once every year or when deemed necessary.	Audits timely carried out successfully as per plans/schedules: ▪ Internal Audit ▪ External Audit – Done and Report signed at most 2 months after year end. ▪ Audit Recommendations fully (100%) implemented as per timeframes.	Internal Audit Finance/Internal Audit/External auditor(s) Internal Audit	As per plan Sept of each year As per stipulated deadlines in the audit reports
	Human Capital			
9.	To develop an effective organization structure that will deliver on the strategy and operational effectiveness.	▪ Optimal Organization Structure approved and implemented.	HR	30 June 2024
10.	To attract, recruit, and retain top talent ensuring alignment with the company values and culture to drive organizational performance.	▪ All (100%) staffing levels envisaged in the Org Structure attained. ▪ 100% of performance objectives/targets attained. ▪ All (100%) Talent Development Programs implemented. ▪ At least 95% talent retained.	HR	31 Dec 2024 Continuous Continuous Continuous
11.	To develop and implement comprehensive training and talent development programs.	▪ All (100%) Talent Development Programs implemented.	HR	Continuous (Annually)

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
12.	To foster a diverse and inclusive workplace environment that values and respects individuals' differences, perspectives, and contributions, promoting equity, belonging, and innovation while leveraging diverse talents to drive business growth and performance.	▪ Employee satisfaction levels of at least 85% attained.	HR	Continuous (Annually)
13.	To enhance performance management systems and processes to set clear goals, provide regular feedback, and recognize and reward employees' achievements and contributions, fostering accountability, engagement, and a performance-driven culture across the company.	▪ The Performance Management System reviewed and implemented.	HR	30 June 2024
14.	To prioritize employee well-being, health, and safety by offering wellness programs, work-life balance initiatives, and supportive work environments that promote physical, mental, and emotional wellness, fostering employee satisfaction, engagement, and productivity.	▪ A highly motivated workforce that is meeting 100% of its targets.	All HoDs	Continuous (Quarterly)
15.	To develop and implement succession planning initiatives to identify and develop high-potential employees for key leadership roles, ensuring continuity of leadership, knowledge transfer, and organizational resilience in the face of leadership transitions and talent attrition.	▪ Succession Plan developed and approved for implementation. ▪ Smooth staff transitions resulting in seamless operations.	HR All HoDs	30 June 2024 Continuous

Pillar 4: Technology and Innovation

Strategic Goal: **To fully deploy technology in streamlining processes to enhance efficiency and stakeholder value.**

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/ Deadline
1.	To optimize technology resources	▪ Technology Audit conducted. ▪ 100% Utilization of technology resources ▪ 100% System Uptime	Tech & Ops	31 Dec 2024 Continuous Continuous
2.	To implement cutting-edge technology solutions to automate and digitize key processes throughout the mortgage refinancing lifecycle, enhancing efficiency, reducing turnaround times, and minimizing errors.	▪ All (100%) processes fully automated. ▪ Technological solutions such as AI and Blockchain technology adopted and implemented.	Tech & Ops	31 Dec 2024 31 Dec 2025
3.	To develop and deploy innovative digital tools and platforms that empower PMLs with self-service capabilities, personalized experiences, and real-time access to mortgage information, thereby improving satisfaction.	▪ Digital solutions developed and implemented. ▪ Data analytics' tools integrated ▪ At least two (2) surveys conducted annually.	Tech & Ops/Refinancing	31 Dec 2025 31 Dec 2025 30 June 2025 Continuous (Annually)
4.	To harness the power of data analytics and artificial intelligence to gain actionable insights into market trends, customer behaviour, and risk profiles, enabling informed decision-making and targeted strategies for growth and risk mitigation.	▪ Percentage increase in data sources integrated into the centralized analytics platform quarterly. ▪ Accuracy rate of machine learning algorithms in identifying customer behaviour patterns, measured monthly. ▪ Percentage accuracy of market trend forecasts generated by predictive analytics models, assessed quarterly.	Tech & Ops/Refinancing	Continuous (Quarterly) Continuous (Monthly) Continuous (Quarterly)
5.	To strengthen cybersecurity measures and data privacy protocols to safeguard sensitive customer information and protect against cyber threats, ensuring compliance with regulatory requirements and maintaining trust and confidence among stakeholders.	▪ 100% System Uptime ▪ Percentage reduction in the number of cybersecurity incidents related to PML data breaches, measured quarterly.	Tech & Ops	Continuous (Daily) Continuous (Quarterly)

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/ Deadline
		▪ Average time (TAT) to detect and respond to cybersecurity threats, with the goal of continuous improvement year-over-year. ▪ 100% compliance rate with relevant data privacy regulations and standards, assessed annually. ▪ Customer (PML) satisfaction score related to data privacy and security, collected through regular surveys.		Continuous (Annually) Continuous (Annually) Continuous (Quarterly)
6.	To foster collaboration with technology vendors, industry partners, and fintech startups to leverage emerging technologies, share best practices, and co-create innovative solutions that address evolving market needs and drive growth in our business.	▪ Percentage increase in no. of collaborative projects with technology vendors, industry partners, and fintech startups. ▪ No. of new product features tracked, or solutions co-created with external partners, leveraging collaborative efforts annually. ▪ Quarterly reviews of collaboration initiatives to ensure alignment with business goals and resource capabilities conducted. ▪ Percentage of revenue attributed to products or solutions developed through collaboration.	Tech & Ops	Continuous (Annually) Continuous (Annually) Continuous (Quarterly) Continuous (Quarterly)
7.	To foster a culture of innovation and continuous improvement by encouraging employee creativity, experimentation, and learning, promoting agile development methodologies and iterative enhancements to technology solutions, and staying agile and responsive to market dynamics.	▪ No. of implemented employee-generated ideas for process improvement and innovation. ▪ Percentage reduction in TATs from concept to implementation attributed to efficiency of technological solutions' enhancements.	Tech & Ops	Continuous (Quarterly) Continuous (Annually)

Pillar 5: Strategic Partnerships

Strategic Goal: **To foster strategic partnerships to drive innovation, maximizing value creation and growth opportunities for the company and its stakeholders.**

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
1.	To Identify and cultivate strategic partnerships with PMLs, banks, financial institutions, and other industry stakeholders to broaden the company's network, enhance market reach, and access new customer segments, driving growth opportunities in mortgage refinancing.	▪ No. of strategic partnerships established with PMLs and other banks, financial institutions, and industry stakeholders annually. ▪ Percentage increase in market reach attributed to strategic partnerships, measured quarterly. ▪ No. of new customer segments accessed through strategic partnerships, assessed annually. ▪ Percentage revenue growth from mortgage refinancing attributed to strategic partnerships, tracked quarterly. ▪ Partner satisfaction score based on feedback surveys, collected bi-annually.	Research & Strategy	Continuous (Annually) Continuous (Quarterly) Continuous (Annually) Continuous (Quarterly) Continuous (Bi-annually)
2.	To collaborate with strategic partners to develop and offer innovative mortgage products and services tailored to specific customer needs and market segments and meeting evolving demands in the refinancing landscape.	▪ No. of innovative mortgage products and services developed in collaboration with strategic partners (PMLs) annually. ▪ Customer satisfaction score related to the newly introduced mortgage products and services, collected through post-purchase surveys jointly conducted with PMLs. ▪ Percentage of revenue generated from the sale of innovative mortgage products compared to total mortgage revenue, tracked monthly. ▪ No. of strategic partnerships established or strengthened to support ongoing product development and market expansion efforts, assessed annually.	Research & Strategy	Continuous (Annually) Continuous (Quarterly) Continuous (Monthly) Continuous (Annually)

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
3.	To forge partnerships with technology providers and fintech companies to integrate advanced digital solutions and platforms into the company's operations, improving efficiency, enhancing customer experiences, and staying ahead of technological advancements in the industry.	▪ No. of strategic partnerships established with technology providers and fintech companies annually. ▪ Percentage increase in operational efficiency resulting from the integration of digital solutions, measured quarterly. ▪ Customer satisfaction score related to the use of new digital platforms and solutions, collected through regular feedback channels. ▪ No. of innovative features or functionalities introduced through partnerships, assessed annually.	Research & Strategy/Tech & Ops	Continuous (Annually) Continuous (Quarterly) Continuous (Annually) Continuous (Annually)
4.	To establish risk-sharing partnerships with insurance providers, reinsurers, and other financial institutions to mitigate credit and operational risks associated with mortgage refinancing activities, enhancing financial stability and resilience.	▪ No. of risk-sharing partnerships established with insurance providers, reinsurers, and financial institutions annually. ▪ Percentage reduction in credit risk exposure attributed to risk-sharing partnerships, measured quarterly. ▪ Frequency of operational risk incidents mitigated through risk-sharing partnerships, reported monthly. ▪ Financial stability score based on risk exposure metrics and resilience indicators, assessed annually.	Research & Strategy/Refinancing	Continuous (Annually) Continuous (Quarterly) Continuous (Monthly) Continuous (Annually)
5.	To collaborate with legal and compliance experts to ensure alignment with regulatory requirements and industry standards in all partnership agreements and initiatives, minimizing legal and reputational risks and maintaining trust among stakeholders.	▪ No. of partnership agreements reviewed and approved by legal and compliance experts within established timelines, measured quarterly. ▪ No. of regulatory compliance training sessions conducted for relevant staff members annually. ▪ Rate of compliance-related incidents or breaches identified in partnership agreements, monitored monthly. ▪ No. of regulatory changes incorporated into partnership agreements proactively, assessed annually.	Research & Strategy/Legal & CS	Continuous (Quarterly) Continuous (Annually) Continuous (Monthly) Continuous (Annually)

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
6.	To develop and maintain strong relationships with strategic partners through effective communication, mutual respect, and transparent collaboration, fostering trust, loyalty, and long-term value creation for all parties involved.	▪ No. of joint initiatives or projects successfully completed with strategic partners, measured quarterly. ▪ Percentage of partner retention over a specified period, indicating the strength of the relationships maintained. ▪ Frequency of communication touchpoints with strategic partners, tracked monthly. ▪ Net Promoter Score (NPS) (assessed once annually) of strategic partners, indicating their likelihood to recommend the company to others, of at least 90% attained annually.	Research & Strategy	Continuous (Quarterly) Continuous (Annually) Continuous (Monthly) Continuous (Annually)

Pillar 6: Marketing and Communication

Strategic Goal: To elevate brand visibility, strengthen stakeholder engagement and drive targeted market penetration.

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
1.	To develop a robust marketing and communication strategy	▪ Marketing strategy developed and implemented. ▪ Percentage Increase in brand awareness measured by surveys or social media engagement. ▪ Percentage growth in website traffic and online engagement metrics (e.g., page views, time on site). ▪ Percentage increase in customer engagement metrics (e.g., email open rates, click-through rates). ▪ Return on Investment (ROI) of marketing campaigns and activities, calculated based on revenue generated compared to marketing expenses, attained. ▪ No. of PML capacity building needs assessments undertaken ▪ No. of Acquired media monitoring systems / services.	Research & Strategy	31 December 2024 Continuous (Biannually) Continuous (Monthly) Continuous (Monthly) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly)

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
2.	To develop and communicate a compelling brand narrative that highlights the company's unique value proposition, expertise, and commitment to customer satisfaction, positioning it as a trusted and preferred provider of mortgage refinancing solutions.	▪ Percentage Increase in brand recognition and recall measured through pre and post-campaign surveys. ▪ Percentage growth in social media engagement metrics such as likes, shares, and comments on brand narrative content. ▪ Percentage improvement in customer satisfaction scores related to brand perception and messaging, assessed through regular surveys. ▪ Website Search Engine Optimized (SEO) and % Increase in website traffic and time spent on site, indicating interest in the brand narrative content.	Research & Strategy	Continuous (Annually) Continuous (Monthly) Continuous (Quarterly) Continuous (Monthly)
3.	To identify and segment target audiences based on demographics, behaviours, and preferences, and execute tailored marketing campaigns across various channels, including road shows, digital, print, and social media, to effectively reach and engage prospective borrowers.	▪ Percentage increase in qualified leads generated from segmented marketing campaigns compared to previous periods. ▪ Conversion rate (%) of segmented audience engagement, measured by the number of prospects who take desired actions (e.g., sign up for newsletters, attend events). ▪ No. of audiences engaged across different channels (road shows, digital, print, social media), assessed by metrics such as event attendance, website visits, social media interactions, and print ad responses. ▪ Return on investment (ROI) of segmented marketing campaigns, calculated by comparing the revenue generated from acquired customers to the total marketing expenditure achieved.	Research & Strategy	Continuous (Bi-annually) Continuous (Quarterly) Continuous (Quarterly) Continuous (Quarterly)
4.	To create and distribute high-quality thought leadership content, such as articles, whitepapers, and webinars, that educates and informs consumers about KMRC's mortgage refinancing options, industry	▪ No. of thought leadership pieces produced and published quarterly. ▪ Engagement metrics such as views, shares, and comments on thought leadership content across various channels. ▪ Percentage increase in website traffic attributed to thought leadership content, measured monthly.	Research & Strategy	Continuous (Quarterly) Continuous (Monthly) Continuous (Monthly)

#	Strategic Objective	KPI/Target	Dep't Responsible	Timeframe/Deadline
	trends, and best practices, establishing the company as a credible authority in the field.	▪ No. of new leads or inquiries generated because of thought leadership content, tracked quarterly. ▪ Brand perception metrics, including surveys assessing KMRC's credibility and authority in the field, conducted bi-annually.		Continuous (Quarterly) Continuous (Biannually)
5.	To proactively engage with media outlets, industry influencers, and key stakeholders to generate positive publicity, secure media coverage, and build brand credibility, amplifying the company's visibility and reputation in the market.	▪ No. of media mentions secured through proactive engagement efforts, tracked monthly. ▪ Percentage increase in positive sentiment in media coverage, assessed quarterly. ▪ No. of partnerships or collaborations established with industry influencers, measured annually. ▪ Percentage growth in brand visibility metrics such as website traffic and social media followers, evaluated quarterly. ▪ No. of speaking opportunities or guest appearances secured for company representatives, tracked quarterly.	Research & Strategy	Continuous (Monthly) Continuous (Quarterly) Continuous (Annually) Continuous (Quarterly) Continuous (Quarterly)
6.	To utilize data analytics and key performance indicators (KPIs) to evaluate the effectiveness of marketing and communication efforts, identify areas for improvement, and optimize strategies and tactics to maximize ROI and achieve business objectives.	▪ Return on Investment (ROI) for marketing and communication efforts, calculated quarterly, achieved. ▪ Conversion rate (%) of marketing campaigns, measured monthly, attained. ▪ Engagement metrics such as click-through rates, open rates, and social media interactions, tracked weekly. ▪ Percentage improvement in brand sentiment and perception over time, measured through surveys bi-annually.	Research & Strategy	Continuous (Quarterly) Continuous (Monthly) Continuous (Weekly) Continuous (Annually)

5. FINANCIAL PROJECTIONS

- The WB funding line will be ending in June 2025 while the AfDB funding line is ending in June 2026. The projections have factored in access to additional concessional funding.
- Loan repayments to WB and AfDB start in June 2025 and June 2026 respectively.
- We shall drawdown all pending funds from WB (10 Bn) and AfDB (3.7bn).
- We shall enter into a new lease (office spaces) in 2026 for KES 50 million
- KES. 1 Bn T/Bond will mature in 2026 and the funds will not be invested but used towards refinancing.
- Disbursements: FY 2024: KES. 4.7Bn; FY 2025: KES 7.6 bn
- FY 2026-2029 – 25% YoY increase in disbursements.
- Additional funding received as follows; FY 2027 – KES.2Bn; FY 2028 – KES.3Bn; FY 2029 – KES.7Bn
- Cost of lending will be retained at 5.6% for the next five years.
- We shall lend to non-shareholders.

5.1 Projected Loan Disbursements

	Baseline 2023	2024	2025	2026	2027	2028	2029
Gross Loans (KES'M): (**CAGR 30.9%**)	**9,500**	**14,100**	**21,700**	**27,125**	**33,906**	**42,383**	**52,979**
No. of loans (Ave. loan size of 4 Mn)		3,525	5,425	6,781	8,477	10,596	13,245

5.2 Projected Statements of Comprehensive Income and Expenditure

	Baseline	2024	2025	2026	2027	2028	2029
	KES'M	KES'M	KES'M	KES'M	KES'M	KES'M	KES'M
Revenue							
Interest on loans and advances **(CAGR 30.9%)**	390	427	947	1,136	1,364	1,636	1,964
Other interest income	2,011	2,182	2,050	1,413	1,050	689	682
Other Income							
Total Income	**2,401**	**2,609**	**2,997**	**2,549**	**2,413**	**2,325**	**2,646**
Finance cost	-1,016	-1,433	-1,205	-1,450	-1,384	-1,458	-1,584
Net Interest Income	**1,385**	**1,176**	**1,792**	**1,100**	**1,029**	**867**	**1,062**
Expenditure							
Net movement in expected credit losses	-2	-2	-2	-3	-3	-4	-4
Governance expenses	-18	-49	-51	-54	-56	-59	-62
Marketing expenses	-24	-26	-28	-31	-34	-37	-41
Staff costs	-135	-177	-204	-234	-258	-284	-312
Administration expenses	-103	-122	-128	-135	-141	-148	-156
Depreciation and amortization expenses	-28	-22	-27	-22	-22	-22	-22
Profit before tax	**1,075**	**778**	**1,351**	**621**	**514**	**313**	**465**
Income tax expense	-228	-233	-405	-186	-154	-94	-139
Profit for the Year	**848**	**545**	**946**	**435**	**360**	**219**	**325**
NPM	**35%**	**21%**	**32%**	**17%**	**15%**	**9%**	**12%**

5.3

NB: The growth in interest on loans and advances, projected to increase at a compound annual growth rate (CAGR) of 33.2%, is a result of additional capital infused into the core business to generate revenue, contributing to a 30.9% CAGR in interest income on loans and advances. Concurrently, interest on other income, particularly from government securities, is declining as funds are being withdrawn and redirected towards mortgage refinancing loans.

5.4 Projected Statements of Financial Position

	2023	2024	2025	2026	2027	2028	2029
	KES'M	KES'M	KES'M	KES'M	KES'M	KES'M	KES'M
Assets							
Property and equipment	32	21	19	13	9	6	4
Intangible assets	4	2	9	6	4	3	2
Right-of-use assets	16	8	-	50	42	33	25
Other assets	160	247	-	-	-	-	-
Current tax receivable	122	-	-	-	-	-	-
Financial assets at amortized cost	5,311	5,207	5,207	4,207	4,207	4,207	4,207
Loans and advances	8,406	12,806	20,406	24,487	29,384	35,261	42,313
Cash and cash equivalents	11,891	12,191	11,141	7,060	4,162	1,286	1,234
Deferred tax	15	-	-	-	-	-	-
Total Assets	**25,957**	**30,482**	**36,781**	**35,822**	**37,808**	**40,795**	**47,784**
Equity and Liabilities							
Liabilities							
Borrowings	20,663	24,981	30,412	29,220	31,034	33,968	40,896
Debt securities in issue	1,331	1,110	967	742	523	317	-
Lease liabilities	24	11	50	42	33	25	17
Other liabilities	417	-	-	-	-	-	-
	22,434	**26,101**	**31,429**	**30,004**	**31,590**	**34,310**	**40,913**
Capital Resources							
Share capital	1,808	2,108	2,108	2,108	2,108	2,108	2,108
Revenue reserves	1,624	2,169	3,115	3,549	3,909	4,128	4,454
Other reserves	7	-	-	-	-	-	-
Statutory reserve	83	104	129	160	200	249	309
Equity	3,523	4,381	5,352	5,818	6,217	6,485	6,871
Total Liabilities and Equity	**25,957**	**30,482**	**36,781**	**35,822**	**37,808**	**40,795**	**47,784**

5.5 Ratio Analysis

Ratio	2023 Baseline	2024	2025	2026	2027	2028	2029	CBK Benchmark
Liquidity Ratio	77%	73.20%	69.10%	61.10%	52.70%	46.60%	42.40%	**20.00%**
Return on Equity (ROE)	24%	12%	18%	7%	6%	3%	5%	
Return on Assets (ROA)	3%	2%	3%	1%	1%	1%	1%	
Net Interest Margin (NIM)	10%	9%	9%	7%	7%	6%	6%	
Capital Adequacy Ratio: - Total Core Capital to Risk Weighted Assets	158%	152.00%	141.10%	125.40%	117.10%	108.70%	101.40%	**14.50%**
- Core Capital to Risk Weighted Assets		61.00%	60.90%	56.20%	53.50%	50.80%	48.50%	**10.50%**
Operating Expense Ratio (OER)/Efficiency Ratio	20%	32%	23%	42%	48%	61%	54%	
Debt to Equity Ratio (Times)	6.97	6.37	5.96	5.87	5.16	5.08	5.29	

NB:

- The profitability ratios, such as ROE and ROA, are declining due to reduced revenues, hence less net profit, resulting from the redirection of funds to the core business, where interest rates are significantly lower at 1%, compared to the higher yields of over 14% from government securities.
- The liquidity ratio is decreasing due to the heightened utilization of funds in mortgage refinancing products.
- The company is reducing its gearing ratio, thereby minimizing exposure to financial risks.