KENYA MORTGAGE REFINANCE COMPANY

KENYA SHILLINGS TEN BILLION FIVE HUNDRED MILLION

Medium Term Note Programme Information Memorandum

KENYA MORTGAGE REFINANCE COMPANY

KENYA MORTGAGE REFINANCE COMPANY PLC

Incorporated in Kenya under the Companies Act, 2015
(Registration Number PLC-LXSM9G)

INFORMATION MEMORANDUM

IN RESPECT OF
UP TO KENYA SHILLINGS TEN BILLION FIVE HUNDRED MILLION (KES 10,500,000,000) SENIOR UNSECURED MEDIUM TERM NOTE PROGRAMME

The date of this Information Memorandum is 10th January 2022

*KMRC is licensed and regulated by the Central Bank of Kenya

TRANSACTION ADVISORS

Mandated Lead Arranger and Placing Agent	Financial Advisors
NCBA NCBA Investment Bank Limited	LION'S HEAD global partners

Reporting Accountants	Legal Advisors
mazars	mboya wangong'u & waiyaki

Receiving Bank	Paying, Registrar and Fiscal Agent
KCB BANK	C&R Group Experience Our Expertise

Note Trustee	Media and Public Relations
ROPAT TRUST COMPANY LIMITED	MEDIAEDGE PUBLIC RELATIONS

Rating Agency
GCR RATINGS

1. IMPORTANT NOTICES AND DISCLAIMERS

The Issuer, having made all reasonable inquiries, confirms that this Information Memorandum contains all the information with respect to itself and the Notes to be issued by it, which is material in the context of the Notes, that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Information Memorandum are honestly held and that there are no other facts the omission of which would make any of such information or the expression of any such opinions or intentions misleading in any material respect. The Issuer accepts responsibility accordingly.

The Issuer has given an undertaking to the Mandated Lead Arranger that if at any time during the duration of the programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Information Memorandum which is capable of affecting the assessment of the Notes and whose inclusion in or removal from this Information Memorandum is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Information Memorandum or publish a replacement Information Memorandum and shall file such amendment, supplement or replacement Information Memorandum with the Capital Markets Authority (“**CMA”**) and the Nairobi Securities Exchange (“**NSE**”) and shall supply to the Mandated Lead Arranger and Placing Agent, the Trustee and the CMA and NSE such number of copies of such supplement hereto as such Mandated Lead Arranger and Placing Agent, the Trustee, CMA and the NSE may reasonably request.

The Central Bank of Kenya (“**CBK**”) has given a letter of no objection for the establishment of the Programme by the Issuer. As a matter of policy, the CBK does not assume responsibility for the accuracy of any statements, opinions, reports or recommendations made in this Information Memorandum. Approval by the CBK of the Programme should not be taken as an indication of the merit of the Issuer or of the Notes.

The Directors of Kenya Mortgage Refinance Company PLC, whose names appear on pages 53 to 55 of this Information Memorandum, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with facts and does not omit anything likely to affect the importance of such information.

The information presented herein was prepared or obtained by the Issuer and is being furnished to the Arranger and the Placing Agent solely for use by prospective investors in connection with the Notes. Neither the Arranger and Placing Agent or any of its respective directors, affiliates, advisers or agents have assumed any responsibility for independent verification of the information contained herein or otherwise made available in connection with the Notes and makes no representation or warranty as to the accuracy or completeness of such information.

Neither this Information Memorandum nor any other information supplied in connection with the Notes is intended to provide the complete basis of any credit or other evaluation, nor should it be considered as a recommendation by the Arranger or the Placing Agent or any of their respective Directors, affiliates, advisers or agents, that any recipient of this Information Memorandum (or any other information supplied in connection with the Issue) should purchase any Notes. Each investor contemplating purchasing a Note should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Each investor is advised to conduct and rely on their own evaluation of the Issuer and the terms of the offering including the merits and risks involved in making an investment decision with respect to the Notes. Neither this Information Memorandum nor any other information supplied in connection with the Issue constitutes an offer or invitation to any person by or on behalf of the Arranger and the Placing Agent or any of their respective directors,

affiliates, advisers or agents to subscribe for or to purchase any Notes.
Nothing contained in this Information Memorandum is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Arranger and the Placing Agent, or any of their respective directors, affiliates, advisers or agents, in any respect. Furthermore, neither the Arranger or the Placing Agent nor any of their respective directors, affiliates, advisers or agents, makes any representation or warranty or assumes any responsibility, liability or obligation in respect of the legality, validity or enforceability of the Notes, the performance and observance by the Issuer of its obligations in respect of the Notes, or the recoverability of any sums due or to become due from the Issuer under the Notes.

The delivery of this Information Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

No person has been authorised to give any information or make any representation other than that contained in this Information Memorandum and if given or made, such information or representation should not be relied upon as having been authorised by or on behalf of the Issuer, the Arranger and the Placing Agent or any of their respective directors, affiliates, advisers or agents.

Should the Notes be placed publicly with investors, such Notes will be made available to the general public in Kenya through secondary trading on the NSE. Applications for participation may be processed through the Placing Agent, details of which are provided in this Information Memorandum. As specified in the relevant Pricing Supplement, a series of Notes may be unlisted, offered via reverse inquiries to select group of investors or be listed by introduction at the NSE.

The Notes may not be offered or sold, directly or indirectly, and neither this document nor any other supplemental information memorandum or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any jurisdiction, other than Kenya. The distribution of this Information Memorandum and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Information Memorandum or any Notes may come must first inform themselves about and observe any such restrictions.

A copy of this Information Memorandum has been filed with the Registrar of Companies in Nairobi.

Cautionary Statement

Prospective investors should carefully consider the matters set forth under section 14 ("**Risk Factors**") of this Information Memorandum.

Relevant Approvals

Application has been made to the CMA for approval of this Information Memorandum and listing of the Securities on the Fixed Income Securities Market Segment ("**FISMS**") at the NSE and the CMA has granted approval. As a matter of policy, the CMA does not assume responsibility for the accuracy of any of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Approval by the CMA of the Programme and/or listing should not be taken as an indication of the Issuer's or the Notes' merit.

The NSE has no objection to the Issuer listing the Notes on the NSE. The NSE assumes no responsibility for the accuracy of any of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Admission by the NSE to listing on the FISMS should therefore not be taken as an indication of the merits of Issuer or the Notes.

Exemptions

The Issuer has requested the CMA for certain exemptions in relation to the issue of the Notes and the Authority has considered and granted those exemptions. Consequently, the Issuer hereby discloses that:

a) The Issuer's total indebtedness including the Notes proposed to be issued may exceed 400% of the company's net worth as at the latest balance sheet date. The Issuer is largely financed by various credit facilities as disclosed in this Information Memorandum. As a mortgage refinance company, KMRC is regulated by the Central of Bank of Kenya and complies with the Central Bank of Kenya (Mortgage Refinance Companies) Regulations, 2019 which includes various financial ratios to ensure prudent financial management;

b) A statutory declaration has been obtained from the Finance Manager who oversees financial reporting for the Issuer in place of the Chief Finance Officer. The position of CFO is currently vacant;

c) There is no statutory declaration from the internal auditor as the position is currently vacant; and

d) The external auditor of the Issuer and reporting accountant in this Information Memorandum is from the same firm. However, the reporting accountant report has been signed off by a different partner from the one in charge of auditing the Issuer.

Selling Restrictions

The Placing Agent will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Information Memorandum or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer or any other Placing Agent in any such jurisdiction as a result of any of the foregoing actions. The Issuer and the Placing Agent will have no responsibility for, and each Placing Agent will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Placing Agent is authorised to make any representation or use any information in connection with the issue, subscription and sale of Notes other than as contained in this Information Memorandum.

The approval of the CMA has been obtained for the Notes' issue and offering in Kenya. The sale or transfer of Notes by Noteholders will be subject to the rules of the NSE, and where applicable, the CDSC Rules, the Conditions of the Notes and the provisions of the Agency Agreement. The register for the Notes will be the record of depositors maintained by the Central Depository and Settlement Corporation ("**CDSC**") in accordance with the Central Depositories Act, 2000. There are currently no other restrictions on the sale or transfer of Notes under Kenyan law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents of Kenya.

Forward-looking Statements

Some statements in this Information Memorandum may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Information Memorandum, the words "anticipates", "estimates", "believes", "intends", "plans", "may", "should" and any similar expressions are used to identify forward-looking statements. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance.

These views reflect the best judgment of the Issuer's management but involve uncertainties and are subject to certain risks the occurrence of which could cause actual results to differ materially from those predicted in the Issuer's forward-looking statements and from past results, performance or achievements. Although the Issuer believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer has identified in this Information Memorandum, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, the Issuer's actual performance may vary from that expected, estimated or projected.

These forward-looking statements apply only as at the date of this Information Memorandum. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligations or undertaking to disseminate after the date of this Information Memorandum any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based. A prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

Financial Information

Financial information presented in this Information Memorandum is derived from the audited financial statements of this Issuer for the two years up to 31st December 2020 and unaudited summarised financial statements for the 9 months period up to 30th September 2021.

2. INCORPORATION OF DOCUMENTS BY REFERENCE

This Information Memorandum should be read and construed in conjunction with:

a) All supplements to this Information Memorandum circulated by the Issuer from time to time in accordance with the undertakings given by the Issuer in the Trust Deed and as further described in the section below titled "Supplemental Information Memorandum";
b) Each Pricing Supplement relating to a Tranche of Notes issued under this Information Memorandum;
c) The audited annual financial statements (and notes thereto) and any unaudited interim financial statements published subsequent to such annual financial statements of the Issuer prior to each issue of Notes under this Information Memorandum;
d) The Trust Deed;
e) Issue Agreement; and
f) The Agency Agreement.

The above listed documents shall be deemed to be incorporated in, and form part of, this Information Memorandum and shall be deemed to modify and supersede the contents of this Information Memorandum as appropriate. The Issuer will provide free of charge to any person on request, a copy of any of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded. Requests for such documents shall be directed to the Issuer at its specified offices as set out in this Information Memorandum.

Supplemental Information Memorandum

The Issuer hereby gives an undertaking to the Arranger and Placing Agent that, if at any time during the tenor of the Issue there is a significant change affecting any matter contained in this Information Memorandum, the inclusion of which would reasonably be required by investors and their professional advisors and would reasonably be expected by them to be found in this Information Memorandum for the purpose of making an informed assessment of the Notes, the Issuer shall prepare an amendment or supplement to this Information Memorandum or publish a replacement Information Memorandum for use in connection with any subsequent offering of Notes.

Legal Advisor's Opinion

Mboya, Wangong'u & Waiyaki Advocates, the Legal Advisors to the Issuer, have given and not withdrawn their written consent to the inclusion in this Information Memorandum of their legal opinion and the references to their names, in the form and context in which they appear and have authorized the contents of their letter set out in Appendix A of this Information Memorandum.

Reporting Accountants' Report

This Information Memorandum contains a statement from Mazars Kenya, the Reporting Accountants. The Reporting Accountants have given and have not withdrawn their consent to the issue of the said statement in the form and context in which it is included in Appendix B of this Information Memorandum.

External Auditor's Declaration

Mazars Kenya have been appointed by Kenya Mortgage Refinance Company PLC to review the Accountant's report and has declared that nothing has come to their attention that causes them to believe that the historical financial information for the years ended 31 December 2019 and 2020 has not been properly prepared in accordance with the basis of preparation explained in Appendix B of the Accountants report, and that in their opinion, the projected financial statements have been properly compiled on the basis of the assumptions set out in Appendix B of the Accountant's report and the basis of accounting used is consistent with the accounting policies of the Company.

Note Trustee's Declaration

Ropat Trust Company Limited has been appointed by Kenya Mortgage Refinance Company PLC to act as Note Trustee to the Medium-Term Note Programme and has declared that they understand the responsibilities of the office of Note Trustee as contained in the Trust Deed and that they are independent from and in no way affiliated to Kenya Mortgage Refinance Company PLC or any other party to the Notes.

Finance Manager's Declaration

The Kenya Mortgage Refinance Company PLC Finance Manager responsible for the preparation of the financial statements has declared that the financial statements contained in this Information Memorandum are true and fair to the best of their knowledge.

Receiving Bank's Declaration

KCB Bank Kenya Limited has been appointed by Kenya Mortgage Refinance Company PLC to act as Receiving Bank to the Medium-Term Note Programme and has declared that they understand the responsibilities of the office of Receiving Bank and that they are independent from and in no way affiliated to Kenya Mortgage Refinance Company PLC or any other party to the Notes.

3. DIRECTORS AND COMPANY SECRETARY DECLARATION

This Information Memorandum has been approved by the Board of Directors of Kenya Mortgage Refinance Company PLC who hereby declare that to the best of their knowledge, the information contained in this Information Memorandum relating to the company's financial position, operations and future prospects is true and fair and that in the event that the said information changes, based on the prevailing circumstances of the company, a supplemental disclosure document shall be submitted to the Authority for approval.

This Information Memorandum has been issued in compliance with the requirements of the Capital Markets Act (cap 485A), the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002, the rules of the Nairobi Securities Exchange Limited and the Companies Act, 2015.

Dr. Haron Sirima
Chairman

Mr. Johnstone Oltetia
Chief Executive Officer

Ms. Susan Maira
Non-Executive Director

Mr. Samuel Makome
Non-Executive Director

Mr. Robert Kibaara
Non-Executive Director

Mr. Asman Khatolwa
Non-Executive Director

Ms. Sarah Bonaya
Non-Executive Director

Mr. Godwin Wangong'u
Company Secretary

4. CORPORATE INFORMATION

4.1 List of Contacts

Kenya Mortgage Refinance Company PLC
UAP Old Mutual Tower, Upper hill Road,
P.O. Box 15494-00100 GPO,
Nairobi, KENYA
Tel: + 254 111 022 400
Email: info@kmrc.co.ke
Website: www.kmrc.co.ke

Johnstone Oltetia
Chief Executive Officer and MD
Kenya Mortgage Refinance Company PLC
Email: CEO@kmrc.co.ke

4.2 Board of Directors of the Issuer

Dr. Haron Sirima	Chairman (Non-Executive)	Kenyan	P.O. Box 15494-00100 Nairobi
Ms. Susan Maira	Director (Non-Executive, Independent)	Kenyan	P.O. Box 15494-00100 Nairobi
Mr. Samuel Makome	Director (Non-Executive, Representing Banks)	Kenyan	P.O. Box 15494-00100 Nairobi
Mr. Robert Kibaara	Director (Non-Executive, Representing Banks)	Kenyan	P.O. Box 15494-00100 Nairobi
Mr. Asman Khatolwa	Director (Non-Executive, Representing Saccos)	Kenyan	P.O. Box 15494-00100 Nairobi
Ms. Sarah Bonaya	Director (Non-Executive, Independent)	Kenyan	P.O. Box 15494-00100 Nairobi
Mr. Johnstone Oltetia	Chief Executive Officer and MD	Kenyan	P.O. Box 15494-00100 Nairobi
Mr. Godwin Wangong'u	Secretary to the Board	Kenyan	P.O. Box 74041-00200 Nairobi

4.3 Other Corporate Information

Company Secretary	Godwin Wangong'u of Mboya Wangong'u & Waiyaki Advocates Lex Chambers Maji Mazuri Rd, Off James Gichuru Road, Lavington P.O. Box 74041-02000, Nairobi, KENYA
Registered Office	27th Floor, UAP Old Mutual Tower P.O. Box 15494-00100, NAIROBI.

Financial Calendar	31st December
Independent Auditors	Mazars Kenya Certified Public Accountants (K) The Green House, Ngong Road P.O. Box 61120- 00200, Nairobi, Kenya
Principal Legal Advisors	Mboya Wangong'u & Waiyaki Advocates Lex Chambers, Maji Mazuri Road Off James Gichuru Road, Lavington P.O. Box 74041-00200, Nairobi, Kenya

4.4 Transaction Advisors

Lead Arranger and Placing Agent	Financial Advisor
NCBA Investment Bank Limited NCBA Annex Hospital Road P.O. Box 44599-00100 Nairobi, Kenya Tel: +254 20 2884444 Mobile: +254 711 056444/+254 732 156444 Contact: Maurice Opiyo Email: advisory@ncbagroup.com	**Lion's Head Global Partners** Block A, Valley View Office Park, City Park Drive, P.O. Box 343-00621, Nairobi, Kenya Tel: +254 20 5260179 Contact: Leonard Mathu Email: leonard.mathu@lhgp.com
Receiving Bank	Legal Advisor
KCB Bank Kenya Limited Kencom House Moi Avenue P.O. Box 48400 – 00100 Nairobi, Kenya Tel: +254 020 3270025] Contact: Elizabeth Mwazighe / Josiah Bwana Email: kmrccorporatebond@kcbgroup.com	**Mboya Wangong'u & Waiyaki Advocates** Lex Chambers, Maji Mazuri Road Off James Gichuru Road, Lavington P.O. Box 74041-00200 Nairobi, Kenya Tel: +254 20 2160312/3 Fax: +254 20 2160312 Contact: Godwin Wangong'u Email: gwangongu@lexgroupafrica.com
Reporting Accountants	Registrar and Fiscal Agent
Mazars Kenya Green House, 3rd Floor, Ngong Road P.O Box 61120 – 00200 Nairobi, Kenya Tel: +254 20 3861175/6/9 Office : +254 722 440 270 Contact: Evanson Nganga Email: evanson.nganga@mazars.co.ke	**Custody and Register Services Limited** IKM Place, Tower B, 1st Floor 5th Ngong Avenue, Off Bishops Road P.O. 8484-00100 Nairobi, Kenya Tel: +254 20 8690360, 726971599,737095124 Contact: Kerry-Ann Makatiani Email: exco@candrgroup.co.ke

Rating Agency	Note Trustee
Global Credit Rating Company Limited 2nd Floor, Block A, Riverside Park, Chiromo Road, Westlands, P. O Box 101650-00101 Nairobi, Kenya Contact: Sylvia Chahonyo Email: SylviaC@GCRratings.com	**Ropat Trust Company Limited** Kenya Re Towers, Upper hill Off Ragati Road P.O. Box 1243-00100 Nairobi, Kenya Tel: +254 20 2723322 Fax: +254 20 2723474 Contact: Robert Kimani Ndungu
Media and Public Relations	
Media Edge Public Relations Riverside Hanover, 2nd Floor P.O. Box 40287-00100 Nairobi, Kenya Tel:+254204205000 +254 734 271 488 Contact: Washington Akumu Email: washington.akumu@redhouseke.com	

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5. DEFINITIONS AND ABBREVIATIONS

Unless otherwise stated and as the context allows, the words in the first column have the meaning stated opposite them in the second column, throughout this Information Memorandum, its appendices, and enclosures. Words in the singular include the plural and vice versa, words signifying one gender include the other gender and references to a person include references to juristic persons and associations of persons:

Subject	Definition
Agency Agreement	Means the agreement pursuant to which (a) the Issuer covenants and agrees to perform the functions of a Note Agent as set out in the Agency Agreement and (b) the Note Trustee may appoint a successor Note Agent upon the occurrence of an Event of Default and any other agreement for the time being in force appointing Successor Note Agents, together with any agreement for the time being in force amending or modifying any such agreements;
Applicable Laws	Means any laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority which may govern the Issue, the Conditions of the Notes and the Notes issued thereunder in accordance with which the same are to be construed;
Arranger & Placing Agent	Means NCBA Investment Bank Limited;
Board or Directors	Means the board of directors of Kenya Mortgage Refinance Company PLC as indicated on page 53 to 55 of this Information Memorandum;
Business Day	Means a day which is (i) a business day within the meaning of the NSE Listing Rules, and (ii) (for the purposes of payment or calculation of Interest) a date on which banks are open for general business in Kenya other than Saturdays, Sundays and gazetted Public Holidays;
Capital Markets Authority or CMA	Means the Capital Markets Authority set up pursuant to the provisions of Capital Markets Act (Chapter 485A of the Laws of Kenya);
CBK	Means the Central Bank of Kenya;
CD Act	Means the Central Depositories Act (Act 4 of 2000) and the rules and regulations issued thereunder;
CDS Account	Means an account opened and maintained with the CDSC in accordance with the Central Depositories Act (Act 4 of 2000) and the rules and regulations issued thereunder;
CDS	Means the central depository system, an electronic system which permits or facilitates the deposit and the settlement or registration of securities transactions or dealings in securities on the NSE;
CDSC	Means the Central Depository and Settlement Corporation Limited;
CDSC Rules	Means the operational and procedural rules issued or to be issued by the CDSC with respect to operation of CDS Accounts and trading in immobilised securities;
Companies Act	Means the Companies Act (Chapter 17 of 2015 of the Laws of Kenya);
Conditions	Means the terms and conditions regulating the Notes in the form set out in section titled "Terms and Conditions of the Notes" of this Information Memorandum and Schedule 1 of the Trust Deed;

Dematerialized Note	Means Notes issued in electronic form within the meaning of dematerialised security as defined in the CD Act
Directors or Board	Means the directors of the Issuer whose names are set out under the heading Board of Directors on page 53 to 55 of this Information Memorandum;
EUR	Means Euro;
Event of Default	Means any of the circumstances described in Condition 9.12 (Events of Default) in the section "Terms and Conditions of the Notes";
FISMS	Means the Fixed Income Securities Market Segment of the Nairobi Securities Exchange;
Fixed Rate Note	Means the Notes in respect of which the interest is to be calculated and paid on a fixed rate basis as provided in Condition 9.7 (Interest) in the section "Terms and Conditions of the Notes" and the Pricing Supplement;
Guarantee	Means, for any applicable Tranches as may be specified in the relevant Pricing Supplement, a guarantee issued to be in favour of the Note Trustee for obligations of the Issuer under the Note Documents and as may be detailed in the relevant Pricing Supplement. ***For the avoidance of doubt, a tranche will only be guaranteed where the relevant Pricing Supplement expressly provides for a guarantee.***
GBP	Means Sterling Pound.
Interest	means the amount of interest payable in respect of each Principal Amount of the Notes as determined in accordance with Condition 9.7 (Interest);
Interest Rate	Means the Fixed Rate Notes Rate of Interest determined in accordance with Condition 9.7 (Interest);
Interest Determination Date	Means the date on which the Fixed Note Rate of Interest is determined by the Paying Agent in accordance with Condition 9.7 (Interest);
Interest Payment Date	Means the dates on which interest on the Notes will be paid as indicated in the relevant Pricing Supplement;
IM or Information Memorandum	Means this Information Memorandum dated 10th January, 2022 together with its Appendices and the enclosed relevant Pricing Supplement and applicable Application Form;
Issue or Programme	Means Senior Unsecured Notes in an aggregate amount of up to Kenya Shillings ten billion five hundred million (KES 10,500,000,000) by Kenya Mortgage Refinance Company PLC;
Issue Date	Means the date upon which the relevant Tranche of the Notes is issued and as provided in the relevant Pricing Supplement;
Issue Price	Means the price at which the Notes are issued by the Issuer (being, at the election of the Issuer, at par or at a discount to, or premium over their nominal amount as specified in the relevant Pricing Supplement);
Issuer or the Company or KMRC	Means Kenya Mortgage Refinance Company PLC;
Kenya	Means the Republic of Kenya and "Kenyan" shall be construed accordingly;
KES	Means Kenya Shillings, being the lawful currency of the Republic of Kenya;
Note Agents	Means the Paying Agent, Registrar and Fiscal Agent or any of them and their respective successors from time to time;

Note Documents	Means the Trust Deed, the Agency Agreement and the Information Memorandum.
Noteholder	Means the several persons who are for the time being holders of the Notes (being the several persons whose names are entered in the register of holders of the Notes as the holders thereof) and the words 'holder' and 'holders' and related expressions shall (where applicable) be construed accordingly;
Notes	Means the instrument in registered form, comprising an aggregate amount of up to Kenya Shillings ten billion five hundred million (KES 10,500,000,000) to be issued in tranches through a Medium Term Note Programme issued pursuant to the Trust Deed;
NSE	Means Nairobi Securities Exchange;
Paying and Fiscal Agent	Means Custody and Register Services Limited;
Payment Account	Means the account denominated in Kenya Shillings with account number KMRC Bond Collection Account No. 1290321841, KCB Moi Avenue, in the name of the Issuer held with the Receiving Bank or such other account held with such bank as the Issuer may (with the prior written consent of the Paying Agent) from time to time by notice to the Paying Agent for the purpose of making payments to the Noteholders;
PML	Means Primary Mortgage Lender;
Pricing Supplement	Means, in relation to a Tranche, a Pricing Supplement is supplemental to the Information Memorandum issued for the purpose of specifying the relevant details of the Notes issued within the Tranche;
Principal Amount	Means the nominal amount of each Note;
Principal Repayment Date	Means the date(s) so specified in the relevant Pricing Supplement as the date(s) on which payment(s) of the Principal Amount shall fall due;
Prudential Guidelines/ Regulations	Means the Prudential Guidelines for banking institutions licensed under the Banking Act (Chapter 488 of the Laws of Kenya) issued by the Central Bank of Kenya pursuant to the provisions of the said Act;
Record Date	Means 5.00pm Nairobi time, fifteen calendar days prior to each Interest Payment Date until the redemption in full of the Note;
Record of Noteholders	Means an up-to-date copy of the book entries of the Noteholders in the Register in respect of the Notes as accessed by the Registrar and Fiscal Agent on the Record Date;
Reference Rate	Means the benchmark interest rate as specified in the relevant Pricing Supplement for each Tranche of the Notes to be issued;
Register	Means the official record of Noteholders in the CDS as maintained by the CDSC pursuant to section 25 of the CD Act;
Registrar and Fiscal Agent	Means the institution appointed or acting as Registrar and Fiscal Agent pursuant to the Conditions and the Agency Agreement, or if applicable, any successor Registrar and Fiscal Agent at its Specified Office;

Senior Creditors	Means all such persons who are; a) All such persons who are not expressly stated in any contract, agreement or other arrangement between the Issuer and any such person, to be subordinated creditors of the Issuer and b) All persons who are expressly stated in any contract, agreement or other arrangement between the Issuer and any such other person, to be senior creditors of the Issuer(other than the Noteholders in their capacity as holders of the Notes);
Specified Office	Means, in relation to any Note Agent, either the office identified with its name in the Conditions or any other office notified to any relevant parties pursuant to the Agency Agreement;
Successor	Means, in relation to any party appointed under the Issue, any successor to any one or more of them which shall become a party pursuant to the provisions of the Agency Agreement and/ or such other or further agent (as the case may be) in relation to the Notes as may from time to time be appointed as such, and/or, if applicable, such other or further specified offices as may from time to time be nominated, in each case by the Issuer and (except in the case of the initial appointments and specified offices made under and specified in the Conditions) notice of whose appointment or, as the case may be, nomination has been duly given to the Noteholders;
Tranche	Means a series of Notes comprising one or more series, that (except in respect of the first Interest Payment Date and their Issue Price) have the identical terms of issue and are expressed to have the same Tranche number. Details applicable to each Tranche are to be specified in the relevant Pricing Supplement;
Trust Deed	Means the agreement dated 10th January 2022, appointing the Note Trustee and any other agreements for the time being in force appointing a Successor Note Trustee or in relation to the Notes, or in connection with the Note Trustee's duties, together with any agreement for the time being in force or modifying any such agreement;
USD	Means US Dollar.

6. SUMMARY OF THE NOTES

The following overview is qualified in its entirety by the remainder of this Information Memorandum. Capitalised expressions used below in this overview have the definitions ascribed to them in the Terms and Conditions of the Senior Unsecured Medium Term Notes unless otherwise defined in this Information Memorandum.

1.	**Issuer or Company:**	Kenya Mortgage Refinance Company PLC.
2.	**Issuer Rating**	As specified in the Relevant Pricing Supplement.
3.	**Description:**	Medium Term Note ("**MTN**") Programme.
4.	**Programme Size:**	Up to **KES 10,500,000,000** at the date of issue, aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Placing Agreement.
5.	**Minimum Subscription Amount:**	As specified in the relevant Pricing Supplement.
6.	**Currency:**	The Notes will be denominated in Kenya Shillings ("**KES**") as stated in the relevant Pricing Supplement.
7.	**Guarantor**	As specified in the relevant Pricing Supplement for any guaranteed tranches.
8.	**Guarantee**	If the relevant Pricing Supplement states one or more Tranche of Notes benefit from a guarantee provided by the Guarantor, of the due and punctual observance by the Issuer of payment obligations in respect of principal and interest amounts due and payable by the Issuer up to 50% of the principal and interest amount, under the terms set out in the Deed of Guarantee. ***For the avoidance of doubt, a tranche will only be guaranteed where the relevant Pricing Supplement expressly provides for a guarantee.***
9.	**Mandated Lead Arranger:**	NCBA Investment Bank Ltd.
10.	**Placing Agent:**	NCBA Investment Bank Ltd.
11.	**Paying Agent, Calculation Agent, Transfer and Replacement Agent and Registrar:**	Custody and Register Services Limited.
12.	**Receiving Bank:**	KCB Bank Kenya Limited.
13.	**Note Trustee:**	Ropat Trust Company Ltd.
14.	**Legal Counsel:**	Mboya Wangong'u & Waiyaki Advocates.
15.	**Reporting Accountants:**	Mazars Kenya
16.	**Rating Agency**	Global Credit Rating Company Limited.
17.	**Issue Price:**	Notes may be issued on a fully paid basis at their nominal amount or at a discount or premium to their nominal amount. Partly paid Notes may be issued, the issue price of which will be payable in instalments.

18.	**Coupon**	Such period(s), date(s) or rate(s) as specified in the relevant Pricing Supplement.
19.	**Pricing Mechanism**	Each note will be priced off the relevant Kenya treasury bond yield curve plus a margin. The yield to maturity of the Kenya government treasury bond will match the duration left in the Tranche at the point of issue.
20.	**Status of the Notes:**	Unless otherwise specified in the relevant Pricing Supplement, the Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank equally inter se among themselves and (save for certain debt preferred by law) equally with all other present and future unsecured obligations (other than subordinated obligations (if any)) of the Issuer outstanding from time to time.
21.	**Form of the Notes:**	The Notes will be issued in book entry form as Dematerialized securities.
22.	**Initial Delivery of the Notes:**	The Notes will be uploaded into the initial subscribers' CDS Accounts on the Issue Date.
23.	**Specified Denomination:**	The Notes will be issued as Dematerialized Notes in denominations of **KES 100,000** and integral multiples of **KES 100,000** in excess thereof, subject to a minimum subscription amount of **KES 100,000**.
24.	**Fixed Rate Notes:**	Fixed rate notes will bear interest at a fixed rate, as indicated in the relevant Pricing Supplement and more fully described in the Terms and Conditions.
25.	**Other Notes:**	Terms applicable to any other type of Notes that the Issuer and any Placing Agent(s) may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
26.	**Interest Periods and Interest Rates:**	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
27.	**Redemption Amounts:**	The relevant Pricing Supplement will specify the redemption amount or if applicable, basis for calculating the redemption amounts payable.
28.	**Terms and Conditions:**	The Terms and Conditions shall, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, be applicable to the Notes in definitive form representing each Series.
29.	**Issue Date:**	To be specified in the relevant Pricing Supplement
30.	**Maturity Date:**	Means in relation to each Tranche the date specified in the relevant Pricing Supplement as the date of maturity of the Notes.
31.	**Use of Proceeds:**	On lending by Extending long term loans to Primary Mortgage Lenders in order to increase availability of affordable housing finance in Kenya including arid and semi-arid areas of northern Kenya, secured against eligible collateral. The bonds proceeds will be utilized alongside other concessionary funding at KMRC's disposal.

32.	**Allotment Policy:**	The Issuer reserves the right, whether the Issue is oversubscribed or not to reject any application in line with the Allotment Policy set out in the relevant Pricing Supplement. Applicants as a result may be allotted less than the amount applied for. Allotment will be done on a pro rata basis on the amount applied. Successful applicants will be notified by the Placing Agent of the amount allotted to them no later than the date and time specified in the relevant Pricing Supplement.
33.	**Events of Default:**	Please see the section entitled “Events of Default” in the Terms and Conditions.
34.	**Taxation:**	All payments in respect of the Notes will be made subject to withholding or deduction for or on account of any taxes imposed within the Republic of Kenya, where such taxes are applicable. Unless otherwise exempted, the Noteholders shall be paid interest after deduction of such taxes.
35.	**Listing:**	The Notes, if denominated in Kenya Shillings, will be listed on the Fixed Income Securities Market Segment of the Nairobi Securities Exchange. As specified in the relevant Pricing Supplement, a series of Notes may be unlisted.
36.	**Rating:**	Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Pricing Supplement. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency will be disclosed in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
37.	**Market Flex:**	If the market is not receptive, the Arranger will, after consultation with the Issuer, be entitled to change the structure, terms or pricing of the Issue if placement has not been completed and if the Arranger determine that such changes are advisable in order to ensure a successful placement of the Issue.
38.	**Method of Issue/ Distribution:**	The methods of distribution include, on a syndicated or non-syndicated basis, reverse inquiries or on a continuous tap issues/auctions. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest, issue price, currency denomination and interest rate), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, interest rate, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Pricing Supplement.
39.	**Governing Law:**	The Notes will be governed by, and construed in accordance with, Kenyan law.

7. KEY INVESTMENT CONSIDERATIONS

An investment in KMRC is backed by the following value propositions:

7.1 Access to alternative source of credit

KMRC serves as a secure source of long-term funding at attractive fixed rates while ensuring sound lending habits amongst Primary Mortgage Lenders (PMLs). This would help reduce any maturity mismatch risk for PMLs and increase available long-term funds. Consequently, this will improve the affordability of mortgages and extend the range of qualifying borrowers which would result in the expansion of the primary mortgage market and thus home ownership in Kenya.

7.2 KMRC will only provide funds to its shareholding institutions

For financial institutions to access funds from KMRC, they will be required to buy into KMRC's shareholding while adhering to certain minimum requirements, which are both qualitative and quantitative in nature.

7.3 Social benefit behind KMRC

According to the 2015/16 Kenya Integrated Household Budget Survey (KIHBS), only 26.1% of Kenyans living in the urban areas own the houses they live in with the main factor being the high costs of the housing units in the market. Investing in KMRC will therefore result in many social benefits associated with increased housing production and home ownership, including job creation, improving the asset base and providing formal sector homeowners a legal stake in their community.

7.4 Support from the government and international financial institutions

KMRC is one of the financial institutions set up under the financing framework of Affordable Housing, which is one of the pillars of the Big 4 Agenda. The Government of Kenya, through The National Treasury and other international financial institutions have committed to provide strong support in order to assist the Company achieve its long-term sustainability while attaining improved lending practices and standardization of terms and conditions among lenders. This is evidenced by the 25.3% shareholding by the National Treasury, 11.8% by the International Finance Corporation and 11.1% by Shelter Afrique. KMRC has received KES 27Bn as credit lines and KES 6Bn as subordinated debt from World Bank and African Development Bank over the next 5 years which will help the company to kick-start its operations.

7.5 Increased demand for housing

According to the World Bank there is an estimated shortfall of 2 million units, and with an additional 500,000 new city dwellers every year, this is aggravating an already untenable situation where, 61 percent of urban households live in informal settlements. Many Kenyans are living in slum dwellings, because of limited supply and lack of affordable housing. With such a massive supply gap, the private sector is expected to play a critical role in meeting the shortage. Financial institutions are therefore well positioned to benefit from this growing demand for housing through provision of suitable housing financial solutions. This is further supported by the launch of ArthiSasa, the National Land Information Management System launched by the President, on 27th April 2021, which aims to integrate land registration, land administration, surveying and mapping, physical planning, property valuation functions and other land related records. This is a positive development as it is expected to significantly improve the accountability and service delivery in terms of time, convenience and cost effectiveness. There is therefore a strong potential for the mortgage market to expand in Kenya as it is starting from a very low base.

7.6 Financial Considerations

KMRC is financially stable with strong positive cash flows enabling it to meet its business obligations. It is however pertinent to note that KMRC is primarily a vehicle for market development; therefore, investors need to take a long-term view to investments made in KMRC.

8. TIMETABLE

	EVENT	TIMING (Business Days)
1.	Approvals from CMA and Printing of the Pricing Supplement	[T]
2.	Offer Opens	[T + 18]
3.	Offer Closes	[T + 32]
4.	Announcement Allocation Results[1]	[T + 36]
5.	Final Date of Payment against Guarantees/Commitments	[T + 46]
6.	Issue Date	[T +50]
7.	Commencement of electronic crediting of CDS accounts	[T + 53]
8.	Listing of the initial tranche[2] and commencement of trading on the Nairobi Securities Exchange	[T + 56]

1 This announcement will be made through two English dailies of national circulation

2 Subsequent Tranches will be listed on such dates determined by the Issuer following approval by the CMA of the relevant Pricing Supplements.

9. TERMS AND CONDITIONS OF THE NOTES

The issue of Medium-Term Notes of up to an aggregate principal amount of Kenya Shillings ten billion five hundred Million (KES 10,500,000,000) to be issued in one or more tranches in the Republic of Kenya by Kenya Mortgage Refinance Company PLC was duly authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 30th September 2021. The first tranche will be issued with an aggregate principal amount as reflected in the relevant Pricing supplement.

The Notes are issued with the benefit of, and are subject to, a Trust Deed dated 10th January 2022 between the Issuer and Ropat Trust Company Limited as the Note Trustee and an Agency Agreement dated 10th January 2022 between the Issuer and the Paying Agent, the Registrar, Fiscal Agent, and the Issuer.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and Agency Agreement. The Noteholders, and the Note Trustee on their behalf, are deemed to have notice of, are entitled to the benefit of, and are bound by all the provisions of the Trust Deed and the Agency Agreement, copies of which are available for inspection during normal business hours at the registered office of the Issuer and the Specified Offices of the Trustee, Paying Agent and the Registrar and Fiscal Agent in accordance with the provisions of the Note Documents. The expressions 'Note Trustee', 'Paying Agent' and 'Registrar and Fiscal Agent' shall include any successor Note Trustee, Paying Agent or Registrar and Fiscal Agent appointed pursuant to the Trust Deed and Agency Agreement.

Words and expressions defined in the Note Documents shall have the same meanings where used in these Conditions and the relevant Pricing Supplement unless the context otherwise requires or unless otherwise stated. Headings and sub-headings are for ease of reference only and shall not affect construction.

9.1 Constitution and Form

The Notes are issued in book entry form and constitute registered debt obligations of the Issuer constituted by and owing under these Conditions and the Note Documents. The Notes will be registered in the CDSC Account of each Noteholder held with the CDSC in accordance with the CD Act. No physical notes will be issued.

Each entry in the CDSC Account of a Noteholder shall constitute a separate and individual acknowledgement to the relevant Noteholder of the indebtedness of the Issuer to the relevant Noteholder.

9.2 Currency

The Notes will be denominated in Kenya Shillings ("KES").

9.3 Denomination

The Notes will be issued in the denomination of Kenya Shillings one hundred thousand (**KES 100,000**) or integral multiples of Kenya Shillings one hundred thousand (**KES 100,000**) in excess thereof ("**Specified Denomination**").

9.4 Title and Transfer

9.4.1 Title

Book entries in the CDSC Account of a Noteholder will constitute conclusive evidence of title of the Notes.

The Issuer, the Note Trustee, the Paying Agent and the Registrar and Fiscal Agent may (to the fullest extent permitted by applicable laws) deem and treat the registered owner of any Note as the absolute owner thereof (whether or not the Note shall be overdue and notwithstanding any notice of ownership or other interest therein) and neither the Issuer, nor any agent of the Issuer, shall be affected by notice to the contrary).

9.4.2 Listing

The Issuer currently intends upon issue to list the Notes on the FISMS of the NSE. The Issuer will take reasonable effort to achieve and maintain such listing as long as the Notes are outstanding, however no longer than up to and including the last day on which trading can reasonably take place before the redemption date.

The Issuer may also elect to apply to list one or more Tranches of Notes on any other stock exchange specified in the relevant Pricing Supplement or may decide to issue unlisted Notes and or private Notes and or green Notes.

9.4.3 Transfer

The Notes are freely transferable. A Note may be transferred in whole or in part provided the minimum face value of the Notes to be transferred and the residual value of the Notes which will continue to be held by the relevant transferor (if any) is in a Specified Denomination, and title to such Notes shall pass upon the registration of book-entry transfers in accordance with the CD Act. The transfers will be subject to such charges as may be levied by the CDSC, CMA, NSE, any other regulatory authority or agency and market intermediary through whom the order is made.

9.5 Status of the Notes and Guarantee

9.5.1

Senior Notes - The Notes and the obligations of the Issuer constitute direct, unconditional, unsubordinated and senior unsecured (subject to the provisions of Condition 9.6 (Negative Pledge and Financial Covenants of the Issuer) obligations of the Issuer and will rank equally (a) inter se; and (b) with all present and future direct unsubordinated and unsecured obligations of the Issuer, except for any obligations that may be preferred by provisions of law that are both mandatory and of general application.

9.5.2

Subject to the terms contained in the relevant Pricing Supplement, Notes in a Tranche may be issued with the benefit of the Guarantee. By the Guarantee, the Guarantor unconditionally and irrevocably guarantees to the Noteholders, among other things, the due and punctual observance by the Issuer of payment obligations in respect of principal and interest amounts due and payable by the Issuer up to 50% of the principal and interest amount, under the terms set out in the Trust Deed and in the Guarantee. The Guarantee shall only apply to Notes for which the relevant Pricing Supplement expressly states that it applies. ***Where the relevant pricing supplement is silent on the application of the Guarantee or expressly excludes it, the Notes under such tranche shall be deemed to have been issued without the benefit of the Guarantee.***

9.5.3

Where applicable, the Note Trustee will act as a trustee of the rights of the Noteholders in respect of the benefit of the Guarantee, and will be party to certain documents on behalf of the Noteholders.

9.6 Negative pledge and Financial Covenants of the Issuer

9.6.1 Negative pledge

So long as any of the Notes that are not issued with the benefit of the Guarantee remains outstanding (as defined in the Trust Deed), the Issuer shall neither create nor permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness without at the same time or prior thereto (i) securing all amounts payable under the Bonds and the Trust Deed equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for all amounts payable under the Trust Deed as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

In these Conditions:

"**Relevant Indebtedness**" means any present or future Indebtedness of the Issuer evidenced by notes, bonds or other securities which are to be, at the request or with the prior consent of the Issuer, quoted, listed or dealt in for the time being on any stock exchange or other similar generally recognised market for securities.

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

9.6.2 Financial Covenants

The Issuer covenants to the Trustee as follows:

a) Maintain compliance with the following financial ratios:
   (i) Capital Adequacy Ratio of not less than twelve percent (12%)
   (ii) Asset Quality (Open Credit Exposure Ratio) of not more than twenty five percent (25%);
   (iii) Single Currency Foreign Exchange Risk Ratio of not more than zero percent (0%);
   (iv) Aggregate Foreign Exchange Risk Ratio of not more than zero percent (0%);
   (v) Interest Rate Risk of not more than ten percent (10%);
   (vi) Aggregate Interest Rate Risk of not more than twenty percent (20%);
   (vii) Liquidity Ratio of not less than 5%;
   (viii) Negative Maturity Mismatch Ratio of not less than negative twenty percent (-20%);
   (ix) Refinance Collateral Coverage Ratio of not less than one hundred and twenty percent (120%).

b) Provide financial and other information that may affect the Notes in a timely manner;

c) Its assets shall be maintained in good condition and where applicable, comprehensively insured for the full market value at all times;

d) It shall, as soon as the same become available, deliver to the Note Trustee a copy of the audited accounts together with a copy of the management letter (if any) addressed by the Auditors to the directors of the Issuer.

e) There will be no change in control of the Issuer without the prior written consent of the Trustee which will not be unreasonably withheld. For the purposes of this Condition 9.6.2 (e), a person (whether alone or together with any Associated Person (as defined below) has control of the Issuer if it becomes the beneficial owner of shares in the issued share capital of the Issuer carrying the right to exercise more than 50 per cent of the votes exercisable at a general meeting of the Issuer; and

f) The Issuer shall ensure that it will maintain adequate funds to meet the principal and interest obligations under the Notes at least 14 Business Days before the due date of any such payment through (at its discretion) either:
   (i) credit facilities extended by its bankers; or
   (ii) maintenance of adequate funds in the Issuer's bank accounts for purposes of the relevant principal and interest payments for the Notes.

"**Associated Person**" means, in relation to any person, a person who is (A) acting on concert with that person or (B) a connected person of that person.

9.7 Interest

9.7.1 Interest Rate

The Notes will attract interest at the fixed Interest Rate specified in the relevant Pricing Supplement.

9.7.2 Payment of Interest

From, but excluding, the Issue date to, and including the Redemption Date, the Notes bear interest at the Interest Rate as determined below. Interest on each Note will be payable semi-annually in arrears on the dates indicated in the applicable Pricing Supplement commencing on the date specified in the applicable Pricing Supplement (each an "**Interest Payment Date**") until the principal amount is repaid in full.

If any Interest Payment Date would otherwise fall on a day, which is not a Business Day, the next following Business Day shall be substituted for such day, unless such Business Day falls in the next calendar month, in which case the immediately preceding Business Day shall be substituted therefor.

In these Conditions, "Business Day" means any day, other than a Saturday, Sunday or public holiday in Kenya as defined in the Public Holidays Act (Chapter 110 of the Laws of Kenya), and on which commercial banks are open for business and foreign exchange markets settle payments in Nairobi.

The period beginning on and including the date of the relevant issue and purchase of the Notes (the "**Issue Date**") and ending on (but excluding) the first Interest Payment Date, and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is called an "**Interest Period**".

9.7.3 Calculation of Interest

The Interest payable in respect of any Note for any Interest Period shall be calculated by multiplying the product of the Interest Rate and the outstanding Principal Amount of such Note by the Day Count Fraction, unless Interest (or a different formula for its calculation) is specified in the relevant Pricing Supplement in respect of such Interest Period, in which case the Interest payable in respect of such Note for such Interest Period shall be the amount specified in the relevant Pricing Supplement (or be calculated in accordance with such formula).

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition:

(i) if "Actual/365" or "Actual/Actual" is specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in a portion of the Interest Period falling in a non – leap year divided by 365);

(ii) if "Actual/364 (Fixed)" is specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 364;

(iii) if "Actual/360" is specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the relevant Pricing Supplement, the number of days in the interest period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30 day months (unless (A)the last day of the interest period is the 31st of a month but the first day of the interest period is the day other than the 30th or the 31st of a month, in which case the month that includes that last day shall not be considered to be the shortened to a 30 – day month, or (B) the last day of the interest period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

For the purpose of any calculation of Interest pursuant to these Conditions (unless otherwise specified in the Conditions or the relevant Pricing Supplement):

(i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);

(ii) all figures shall be rounded to seven significant figures (with halves being rounded up); and

(iii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, "unit" means the lowest amount of the currency.

9.7.4 Calculation of Interest Amount

The Paying Agent will as soon as practicable, but in any event no later than two (2) Business Days prior to the date on which interest for a particular Interest Payment Date begins to accrue (the "**Interest Determination Date**"), compute the amount of interest payable (the "**Interest Amount**") for the relevant Interest Period.
The computation of each Interest Amount by the Paying Agent shall (in the absence of manifest error) be final and binding upon all parties.

9.7.5 Accrual of Interest

Interest on each Note will cease to accrue in respect of any redeemed principal, unless payment of principal on the relevant Principal Repayment Date (as defined below) is improperly withheld or refused. In such event, each Note shall continue to bear interest in accordance with the provisions of this Condition 9.7.5 and Condition 9.8.2 (Payment on Business Days and Late Payments) until whichever is the earlier of;

a) the date on which all sums due in respect of such Note have been paid; and
b) five days after the date on which the full amount of monies payable has been received by the Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 9.16 (Notices).

9.7.6 Notification of Interest Rate and Interest Amounts

The Paying Agent will, after an Interest Determination Date, cause each Interest Amount for each Interest Period, the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount or Early Redemption Amount to be notified to the Issuer, the Note Trustees and the Noteholders in accordance with the Note Documents and Condition 9.16 (Notices) and to the Nairobi Securities Exchange as soon as possible, but in any event no later than the fourth Business Day after the Interest Determination Date.

9.8 Payment

9.8.1 Method of Payment

a) Payment and settlement of amounts due on the final redemption of the Notes (the "**Final Redemption Amount(s)**") will be made in accordance with the CD Act.
b) Payment and settlement of amounts due on any prepayment of the Notes (the "**Early Redemption Amount(s)**") will be made in accordance with the CD Act and the prevailing CDSC rules.
c) Payment of instalments of principal (other than the Final Redemption Amount(s) and Early Redemption Amount(s), interest and other amounts due in respect of the Notes will be paid to the holder of the Note thereof as appearing on the CDS as at the Record Date.
d) Subject to Condition 9.8.2 (a), payment of Interest and principal amounts shall be made by the Paying Agent via electronic funds transfer ("**EFT**") or Real Time Gross Settlement ("**RTGS**") to the account designated for the purpose by the Noteholder. Payment by EFT or RTGS shall be a valid discharge by the Issuer upon it to pay interest and any principal amount.
e) All payments of Principal Amounts and Interest in respect of the Notes are subject in all cases to any Applicable Laws, Paying or otherwise in the place of payment, but without prejudice to the provisions of Condition 9.10 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

9.8.2 Payments on Business Days and Late Payments

a) Where payment is to be made by EFT or RTGS to a Noteholder's account, payment instructions will be initiated on the due date for payment of Interest or the principal amount (in the event of a partial or full redemption) as applicable.

b) If any day for payment of any amount of principal or interest in respect of any Note is not a Business Day, then the Noteholder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to any interest or other sums in respect of such postponed payment.

c) If (otherwise than by reason of the application of Condition 9.8.2 (a) and (b) above)

   (i) any payment of principal is withheld or refused when due in respect of any Note, or

   (ii) any interest is not paid when due (the defaulted amounts mentioned in this condition and (i) above being referred to in this Condition as "**Defaulted Amounts**")

then interest shall accrue on each such Defaulted Amount at the Default Rate to a person who is shown as the Noteholder on the relevant Record Date. The Issuer acknowledges that the cost and expense to the Noteholders in funding the default of the Issuer are difficult to ascertain and that the margin charged in addition to the Interest Rate to arrive at the Default Rate is a fair and reasonable pre-estimate to compensate the Noteholders for this.

"**Default Rate**" means the Interest Rate plus a margin of 2.0% per annum.

9.8.3 Interpretation of Principal Amount

Any reference in these Conditions to a Principal Amount in respect of the Notes shall be deemed to include as applicable:

(i) The Final Redemption Amount(s) of the Notes;

(ii) The Early Redemption Amount(s) of Notes; and

(iii) Any premium and any other amount which may be payable by the Issuer under or in respect of the Notes.

9.8.4 Currency of account and payment

The currency of account and for any sum due from the Issuer hereunder is the Kenya Shilling, any successor currency, or as may be specified in the relevant Pricing Supplement.

9.9 Redemption and purchase

9.9.1 Redemption

Unless previously redeemed, or purchased and deleted from the relevant Noteholder's CDSC Account, each Note shall be redeemed on the date so specified in the Pricing Supplement, each date for payment being a "Principal Repayment Date".

9.9.2 Purchases

The Issuer, may at any time purchase Notes at any price in the open market or otherwise. In the event of the Issuer purchasing Notes, such Notes may (subject to any approvals required from the NSE and/or the CMA or to any restrictions under any Applicable Laws) be held, resold or, at the option of the Issuer, cancelled in terms of and in accordance with these Conditions.

9.9.3 Cancellation

All Notes which are redeemed or surrendered shall forthwith be cancelled. All Notes so cancelled cannot be reissued or resold.

9.10 Taxation

All payments in respect of the Notes are subject to all applicable taxes, including the deduction of withholding tax at the prescribed rate on all interest payments to Noteholders other than any Noteholder who (a) is exempt from such deduction under the provisions of the Income Tax Act (Chapter 470 of the Laws of Kenya) or under any other relevant law and (b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer.

9.11 Prescription

The Notes will become void unless presented for payment of Principal Amount within a period of six years and for payment of Interest within a period of six years after the Relevant Date (hereinafter defined) thereof. "Relevant Date" means the date on which such payment first becomes due, except that if the full amount of the moneys payable has not been duly paid by or on account of the Issuer on or prior to such date, it means the date on which notice to that effect is duly given to Noteholders in accordance with Condition 9.16 (Notices). The amounts due under such void Notes will be dealt with in accordance with the provisions of the Unclaimed Financial Assets Act, No. 40 of 2011.

9.12 Events of Default

If any one or more of the following events (each an "Event of Default") in respect of the Notes or any of them shall have occurred and be continuing:

9.12.1 Non-payment

There is a failure by the Issuer to pay principal and/or interest on any of the Notes, if and when due and such failure continues for a period of ten (10) calendar days (provided that the Issuer shall not be in default if, during such period, it satisfies the Paying Agent that the amounts not paid were not paid

(i) owing to administrative or technical error or

(ii) in order to comply with any Applicable Laws or the Prudential Regulations or order of any court or competent jurisdiction or

(iii) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or acceptability given at any time during such period by independent advisers acceptable to the Paying Agent); or

9.12.2 Breach of other obligations

A default is made in the performance or observance of any material covenant, condition or provision which is to be performed by the Issuer under the Terms of the Notes and (except where the Note Trustee certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice or continuation as is mentioned below shall be required) such default continues for a period of thirty (30) calendar days (or such longer period as the Note Trustee may in its sole discretion determine) following the service by the Note Trustee on the Issuer, of notice requiring such default to be remedied; or

9.12.3 Cross-default

(i) any indebtedness of the Issuer, (a) becomes due and payable prior to the due date for payment thereof by reason of any default by the Issuer or (b) is not repaid at maturity as extended by the period of grace, if any, applicable thereto; or

(ii) any guarantee given by the Issuer in respect of any indebtedness of any other person is not honoured when due and called, provided that the aggregate principal amount of such financial indebtedness referred to in (i) or (ii) exceeds KES 1,000,000,000; or

9.12.4 Insolvency

The Issuer is deemed unable to pay its debts as they fall due, admits its inability to pay its debts as they fall due, commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness (save for any debt owed to trade creditors in the ordinary course of business), or makes a general assignment for the benefit of, or a composition with, its creditors, which event in any such case is (in the sole opinion of the Note Trustee), materially prejudicial to the interests of the Noteholders;

9.12.5 Insolvency Proceedings

the Issuer institutes proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into liquidation or winding up or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganization under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, manager, liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or in respect of its property, or if such proceedings are instituted or steps are taken and not promptly challenged or contested in good faith and with due diligence and discharged within thirty (30) days of commencement; or

9.12.6 Substantial Change in Business

The Issuer makes or threatens to make any substantial change in the principal nature of its business as presently conducted which is (in the sole opinion of the Note Trustee) materially prejudicial to the interests of the Noteholders; or

9.12.7 Maintenance of Business

The Issuer fails to take any action as is required of it under the Applicable Laws or the Prudential Regulations or otherwise to maintain in effect its license or corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the sole opinion of the Note Trustee) materially prejudicial to the interests of the Noteholders and such failure (if capable of remedy) is not remedied within thirty (30) Business Days (or such longer period as the Note Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer; or

9.12.8 Material compliance with Applicable Laws

The Issuer fails to comply in any material respect with any Applicable Laws or the Prudential Regulations to enable it lawfully to exercise its rights or perform or comply with its obligations under the Note Documents; or

9.12.9 Invalidity or Unenforceability

(i) the validity of the Notes or the Note Documents is contested by the Issuer or the Issuer denies any of its obligations under the Notes or the Note Documents (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(ii) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or the Note Documents and the Note Trustee is of the opinion (determined on its sole discretion) that such occurrence is materially prejudicial to the interests of the Noteholders; or

9.12.10 Government Intervention

(i) (a) all or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any persons acting under the authority of any national, regional or county government or

(b) the Issuer is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in Condition 9.12.10 (a), the Note Trustee is of the opinion (determined on its sole discretion) that such occurrence is materially prejudicial to the interests of the Noteholders;

(ii) in which event(s) the holders of Notes may, by Extraordinary Resolution of such holders, direct the Note Trustee to give written notice to the Issuer at the Specified Office of the Paying Agent, effective upon the date of receipt, declaring the Notes to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption amount, together with accrued Interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

9.12.11 Misrepresentation

Any representation, warranty or statement made or repeated in, or in connection with the Agency Agreement or in any accounts, certificate, statement, opinion or the Information Memorandum delivered by or on behalf of the Issuer or in connection with the Notes or the Note Documents is incorrect to a material extent when made or deemed to be repeated;

9.12.12 Authorisations

Any authorisation, approval, consent, license, exemption, filing, registration or notarization or other requirement necessary to enable the Issuer to comply with any of its obligations under the Note Documents or to carry on business as presently carried on is modified (to the extent that its ability to meet its obligations under and in respect of the Notes is materially affected), revoked or withheld or does not remain in full force and effect and the Issuer is unable to obtain the same within fourteen (14) days of such modification; revocation or extinction; or

9.12.13 Unlawfulness

At any time it is unlawful for the Issuer to perform any of their respective obligations under any of the Note Documents.

then the Note Trustee may, further to an Extraordinary Resolution of the Noteholders, by written notice to the Issuer, effective upon the date of receipt, declare the Notes to be forthwith due and payable whereupon the outstanding Principal Amount of the Notes shall become forthwith due and payable together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

9.12.14

The Issuer undertakes to inform the Note Trustee without delay if any event mentioned under para. 9.12.2 through 9.12.10 has occurred and to provide the Note Trustee with all necessary documents and information in connection therewith.

9.13 Trustee

9.13.1

The Issuer has appointed Ropat Trust Company Limited to act as Trustee for the Noteholders.

9.13.2

The Issuer and the Trustees have entered into the Trust Deed, inter alia, specifying the powers, authorities and obligations of the Trustees and the Issuer. The Noteholder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Notes as the Trustee may in their absolute discretion deem necessary or require to be done in the interest of the Noteholder(s). Any payment made by the Issuer to the Trustees on behalf of the Noteholder(s) shall discharge the Issuer pro tanto to the Noteholder(s).

9.13.3

The Trustees will protect the interest of the Noteholders in the event of default by the Issuer in regard to timely payment of interest and repayment of principal and they will take necessary action at the cost of the Issuer. No Bondholder shall be entitled to proceed directly against the Issuer unless the Trustees, having become so bound to proceed, fail to do so.

9.14 The Registrar and Fiscal Agent, Paying Agents and Specified Office

9.14.1

The Registrar and Fiscal Agent shall procure from the CDSC on each Record Date (or at such intervals as may be required) an up-to-date copy of the Register (hereinafter referred to as the Record of Noteholders) and deliver a copy to the Paying Agent for purposes of enabling the Paying Agent to comply with its obligations under the Agency Agreement and these Conditions.

9.14.2

The Paying Agent shall provide to the Registrar and Fiscal Agent details of all the redeemed or cancelled Notes and the Registrar and Fiscal Agent shall forthwith provide these details to the CDSC and shall ensure that the CDSC and the Register remain updated with respect to any redemptions of principal or cancellation of the Notes.

9.14.3

The Record of Noteholders shall be open for inspection during the normal business hours of the Registrar and Fiscal Agent to any Noteholder or any person authorized in writing by any Noteholder, the CMA and the NSE on which the Notes will be listed.

Agent	Specified Office
Paying Agent, Registrar and Fiscal Agent Attention: Kerry-Ann Makatiani	**Custody and Register Services Limited** IKM Place, Tower B, 1st Floor 5th Ngong Avenue, Off Bishops Road P.O. 8484-00100, Nairobi, Kenya Tel: +254 20 8690360, 726971599,737095124 Email: exco@candrgroup.co.ke

9.14.4

The names of the initial Paying Agent and Registrar and Fiscal Agent and its initial Specified Office are set out below. The Issuer is entitled to amend or terminate the appointment of the Paying Agent or the Registrar and Fiscal Agent and to appoint another Paying Agent or Registrar and Fiscal Agent provided that it will at all times while any Note is outstanding maintain a Paying Agent and a Registrar and Fiscal Agent having a Specified Office in Nairobi.

9.14.5

Any variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 or more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 9.16 (Notices). A copy of the notice to Noteholders shall be sent to the Capital Markets Authority.

9.14.6

In acting under the Agency Agreement and in connection with the Notes, each of the Agents is acting solely as agent of the Issuer and does not assume any obligation toward or relationship of agency or trust for or with any Noteholder or the owner of any interest therein.

9.15 Further Issues

9.15.1

The Issuer may from time to time without the consent of (but with reasonable notice to) the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue.

9.15.2

References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

9.16 Notices

9.16.1

Notices to the Noteholders will be deemed to be validly given if made by fax, short messaging service, electronic mail, delivered to them, or sent by registered post to them, and:

9.16.1.1

In the case of notices that are posted to holders of Notes, the notices will be valid if mailed to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the seventh Business Day after the day on which it was posted;

9.16.1.2

In the case of any communication made by fax, the notice will be deemed to have been validly given on the date following transmission (provided that the sender produces, if requested to do so, a fax transmission report showing that the entire communication was received by the intended recipient); or

9.16.1.3

In the case of delivery, the notice will be deemed to have been validly given when such communication or document is left with or delivered to the intended Noteholder at its address as recorded on the Register.

9.16.1.4

In case of short messaging service (SMS), the notice will be deemed to have been validly given when such SMS is sent to the intended Noteholder provided that an SMS which is received after 5:00 p.m. on a Business Day, or on a day which is not a full Business Day, in the place of receipt shall be deemed to be delivered on the next full Business Day in that place.

9.16.1.5

In case of electronic communication, the notice will be deemed to have been validly given when such electronic communication is sent to the intended Noteholder, provided that the notice shall be posted to the Noteholder in addition to the electronic communication within five (5) business days from when the electronic communication was sent.

9.16.1.6

provided that a communication or document which is received after 5:00 p.m. on a Business Day, or on a day which is not a full Business Day, in the place of receipt shall be deemed to be delivered on the next full Business Day in that place.

9.16.2

All notices regarding the Notes shall be published in two leading English language daily newspaper expected to be of general circulation in the Republic of Kenya and the Issuer and NSE (with their permission) website. Any such notice will be deemed to have been given on the date of the first publication in the newspapers.

9.16.3

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Note Agents.

9.17 Meeting of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of modification of the Notes or certain provision of the Trust Deed.

9.18 Force Majeure and Limitation of Liability

9.18.1

Neither the Paying Agent nor the Issuer shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance (a "Force Majeure Event"). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Paying Agent or the Issuer itself takes such measures or is subject to such measures.

9.18.2

Should a Force Majeure Event arise which prevents the Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.

9.19 Severability

9.19.1

If at any time one or more of the provisions of the Terms of the Note is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby. Any such provision (s) shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision (s) shall be deemed deleted.

9.20 Governing Law and Jurisdiction

9.20.1

The Trust Deed, Agency Agreement, Information Memorandum and the Notes are governed by, and shall be construed in accordance with, the laws of the Republic of Kenya.

9.20.2

The Issuer agrees for the benefit of the Noteholders that the courts of Kenya shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Note Documents or the Notes (respectively, "Proceedings" and "Disputes") and the High Court of Kenya shall be the court of first instance. Nothing in this clause shall limit the right of the Noteholders to take proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdictions, whether concurrently or not, to the extent permitted by the law of such other jurisdiction.

9.20.3

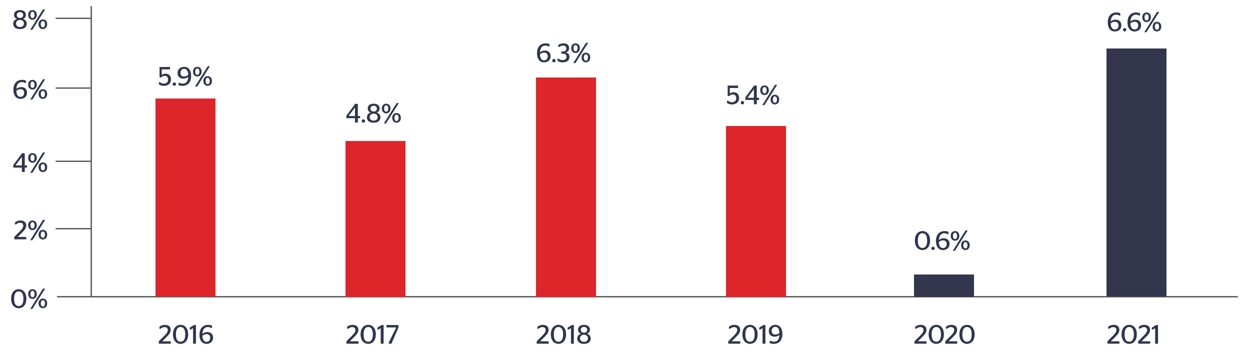
Service of any summons or any other notice of legal process shall be received by the Issuer at its Specified Office.

10. ECONOMIC OUTLOOK AND OVERVIEW OF THE KENYA HOUSING AND MORTGAGE SECTOR

10.1 Kenyan Economic Overview

According to FY 2020/2021 Budget Statement, Kenya's GDP is estimated to have expanded by 0.6% in 2020 which was a decline from 5.4% reported in 2019. This was attributed to the adverse effects in the economy brought about by COVID-19 pandemic, invasion of desert locusts that damaged crops and floods that caused loss of lives and livelihoods, displacement of people and destruction of infrastructure. The Kenyan economy is projected to grow by 6.6% in 2021 amplified by the effects of the year 2020's low growth base. This could be attributed to the prevailing stable macroeconomic environment, favourable weather conditions promoting adequate agricultural harvests and the expected post-COVID-19 pandemic recovery owing to the Government's experience in managing the pandemic leading to improved responses to tackling new infection waves and the proposed plan to increase uptake of vaccination against the virus by the adults to pave way for re-opening of the economy and hence spur business activities in various industries such as services industry.

Figure 1: Annual GDP Growth Rates

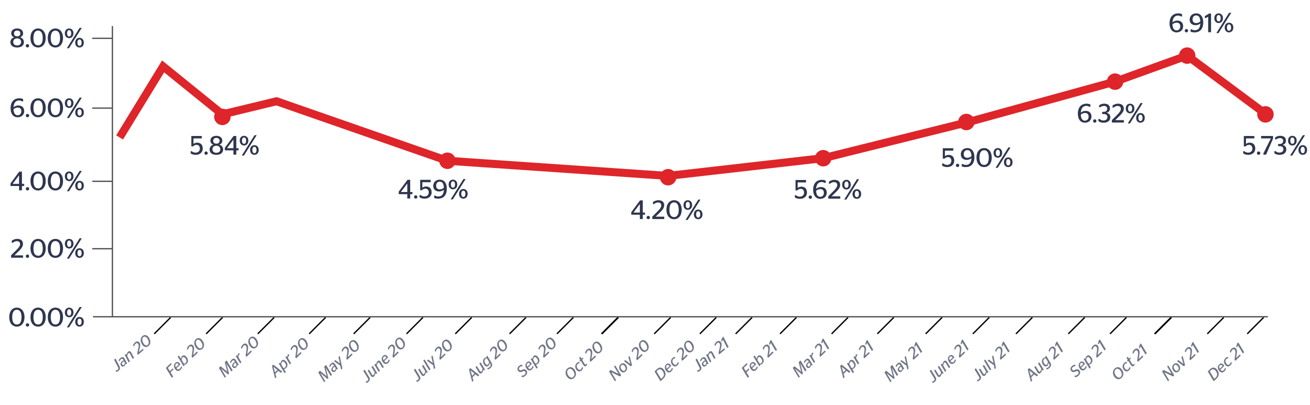


Source: Kenya National Bureau of Statistics (KNBS) and National Treasury

10.1.1 Inflation Rates

The year-on-year inflation rate has been fairly stable throughout the year 2021. During 2021, the inflation rate ranged within 5.69% to 5.73% having peaked at 6.91% in September 2021. This was mainly supported by increase in food and non-alcoholic beverages, fuel and transport prices. This coupled with a negative output gap sustained the accommodative stance upheld by CBK through maintaining the Central Bank Rate at 7% since April 2020.

Figure 2: Inflation rates



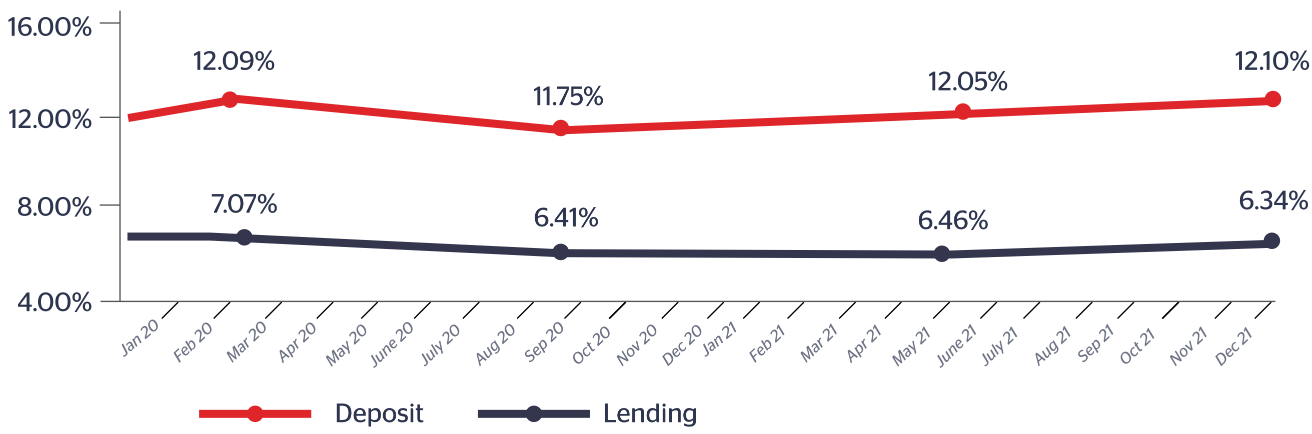
Source: Kenya National Bureau of Statistics (KNBS)

10.1.2 Interest Rates

10.1.2.1 *Deposit and Lending Rates*

The lending rate has been stable over the past one year. This could be attributed to the fixed CBR rate of 7% maintained by the Monetary Policy Committee since April 2020. The lending rate has increased marginally by 14 basis points from 11.98% in October 2020 to 12.12% in October 2021. However, the deposit rate has been steadily decreasing since January 2020. The deposit rate decreased by 68 basis points from 7.01% recorded in January 2020 to 6.39% recorded in October 2021.

Figure 3: Commercial Bank Weighted Average Deposit and Lending Rates

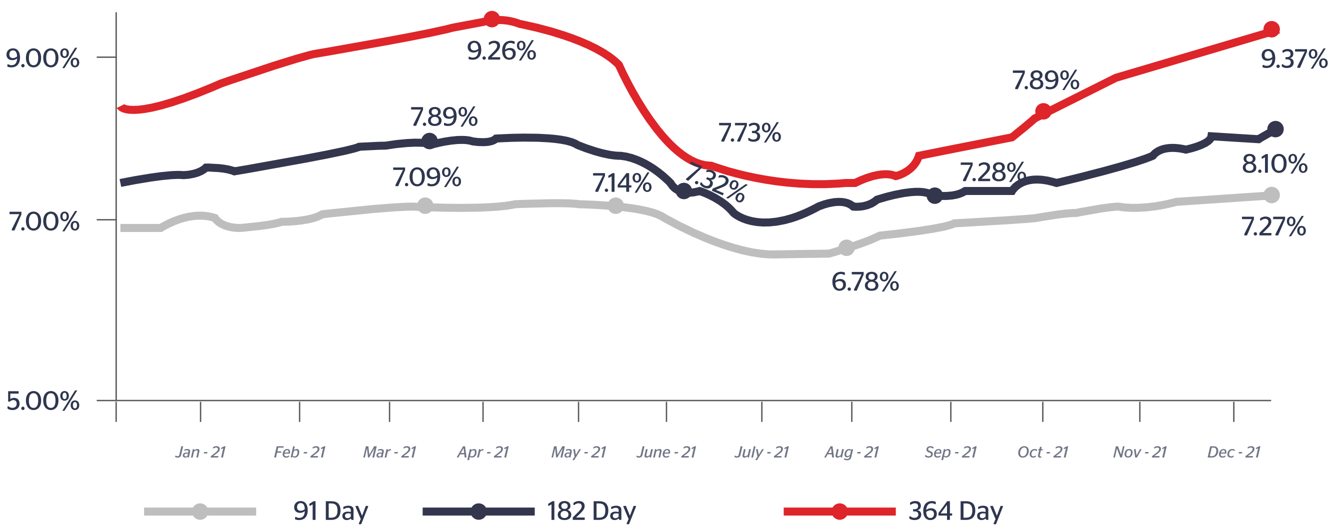


Source: Central Bank of Kenya

10.1.2.2 *Short Term Interest Rates*

The 91-day, 182-day and 364-day Treasury bills have been increasing steadily since August 2021. The 182- day and 364-day papers have been under-subscribed with an average subscription rate of 79% and 72%, respectively for the same period. Persistent Covid-induced uncertainty in the third quarter of the year with a peak in July given the fresh tightening of containment measures underpinned the low demand for shorter term papers amidst tightening liquidity. The average Treasury bill rates recorded were 7.27% (91-day), 8.10% (182-day) and 9.37% (364-day) at year-end.

Figure 4: Treasury Bill Rates



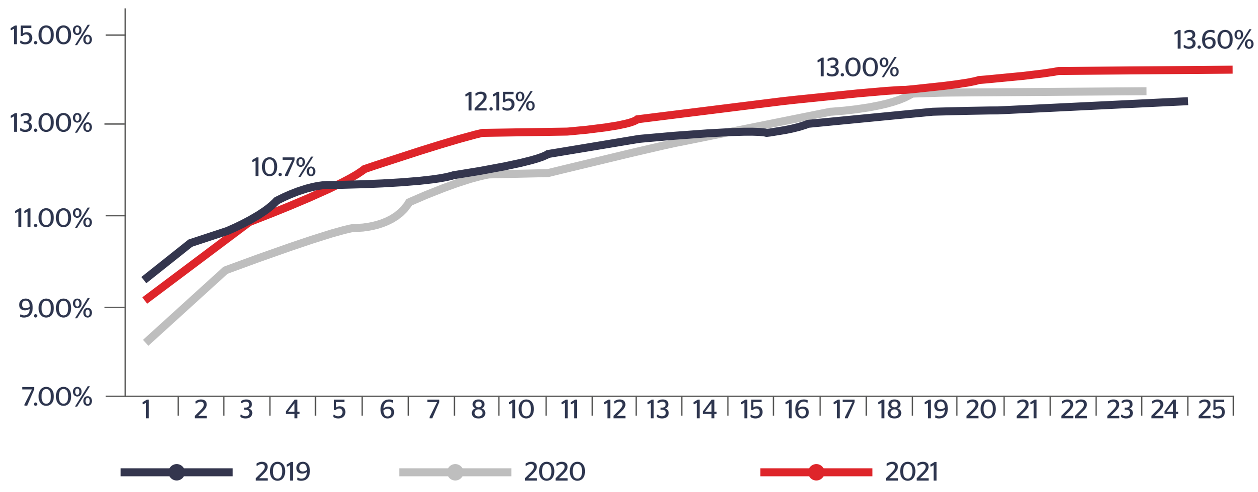
Source: Central Bank of Kenya and NCBA Analysis

10.1.2.3 *Medium- and Long-Term Interest Rates*

The yield curve has witnessed a general increase across the medium term and long-term tenors during the year 2021 with the medium-term tenors recording a higher increase than the long-term tenors thereby leading to flattening of the curve.

The short-term bonds relative to December 2020, have increased steadily by 63bps, 70bps and 59bps for 2yr, 3yr and 4yr bonds to settle at 10.1%, 10.7% and 11.0%, respectively as at 31st December 2021. The medium-term rates have also increased in the range of 78bps, 92bps and 71bps to 11.4%, 12.2% and 12.5% for the 5-year, 7-year and 10-year papers, respectively. The long-term rates increased slightly in the range of 30bps and 33bps to 13.0% and 13.6% for the 15-year and the 20-year papers, respectively.

Figure 5: Yield Curve



Source: NSE Yield Curve

In the four months to October 2021, government revenues jumped to KES 631.10Bn, 104.50% of the prorated government target, reflecting an increase the government's appetite for local debt. We expect this, coupled with the ongoing debt restructuring efforts to increase pressure on the yield curve.

10.1.3 Public Debt Analysis

As of end of fiscal year 2020/2021, the total government debt amounted to KES 7.67 trillion, with the Domestic Debt amounting to KES 3.74 trillion (4.05 trillion as at Dec 2021) and the external debt making the balance of KES 3.93 trillion.

According to the 2020 Medium Term Debt Management Strategy (MTDS), the Government plans to fund fiscal deficits by reducing refinancing risk through lengthening the maturity of securities. This signifies a higher appetite for the long term papers compared to short term papers. As of end of FY 2020/2021, treasury bonds accounted for 73.42% of Kenya's total domestic debt stock.

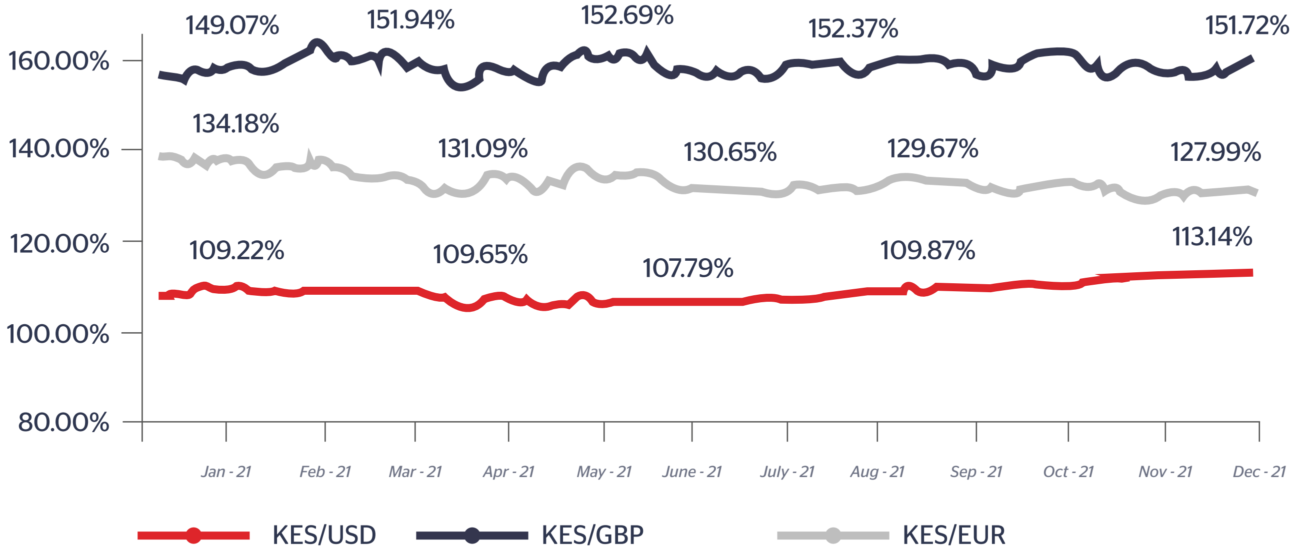
The budgeted government expenditure for FY 2021/2022 amounts to KES 3.03 trillion. The government estimates the expenditure will be funded by KES 2.0 trillion from Total Revenue, KES 62.0 billion from Grants and KES 929.7 billion from Deficit Financing. The estimated total net Domestic Financing for FY 2021/2022 amounts to KES 658.5 billion.

10.1.4 Exchange Rates

The Kenya Shilling weakened against the USD and GBP but appreciated against the Euro to exchange at 151.72 per GBP, 113.14 per USD and 127.99 per Euro as of December 2021 from 149.07 per GBP, 109.22 per USD and 134.18 per Euro recorded in December 2020.

The central bank's active dollar liquidity management continues to support the overall stability of the exchange rate. As of 31st December 2021, the usable foreign exchange reserves stood at USD 8,817 million translating to 5.39 months of import cover. This meets the CBK's statutory requirement to endeavour to maintain at least 4 months of import cover, and the EAC region's convergence criteria of 4.5 months of import cover. Sturdy diaspora remittances, improving export receipts and flows from external financing should anchor shilling strength.

Figure 6: Exchange Rates

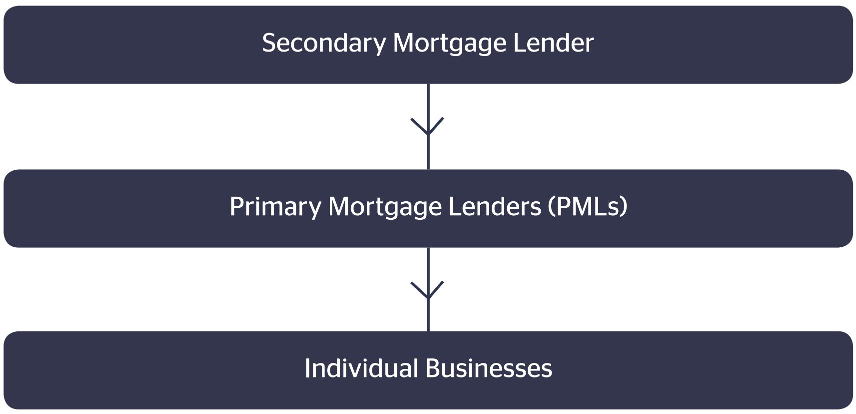


Source: Central Bank of Kenya and NCBA Analysis

10.2 Overview of Kenya Housing and Mortgage Sector

The main players in the Kenyan mortgage sector are Commercial Banks, Microfinance Banks, Credit Co-operatives and Pensions/Retirement benefits institutions which provide housing financing to both individuals and corporates and are considered as primary mortgage lenders. In September 2020, KMRC was granted a license to conduct mortgage refinance business. KMRC will be operating in the secondary mortgage market through providing long-term funding to the PMLs.

Figure 7: Structure of the Mortgage Sector in Kenya



Source: NCBA Analysis

10.2.1 Commercial Banks Mortgage Portfolio

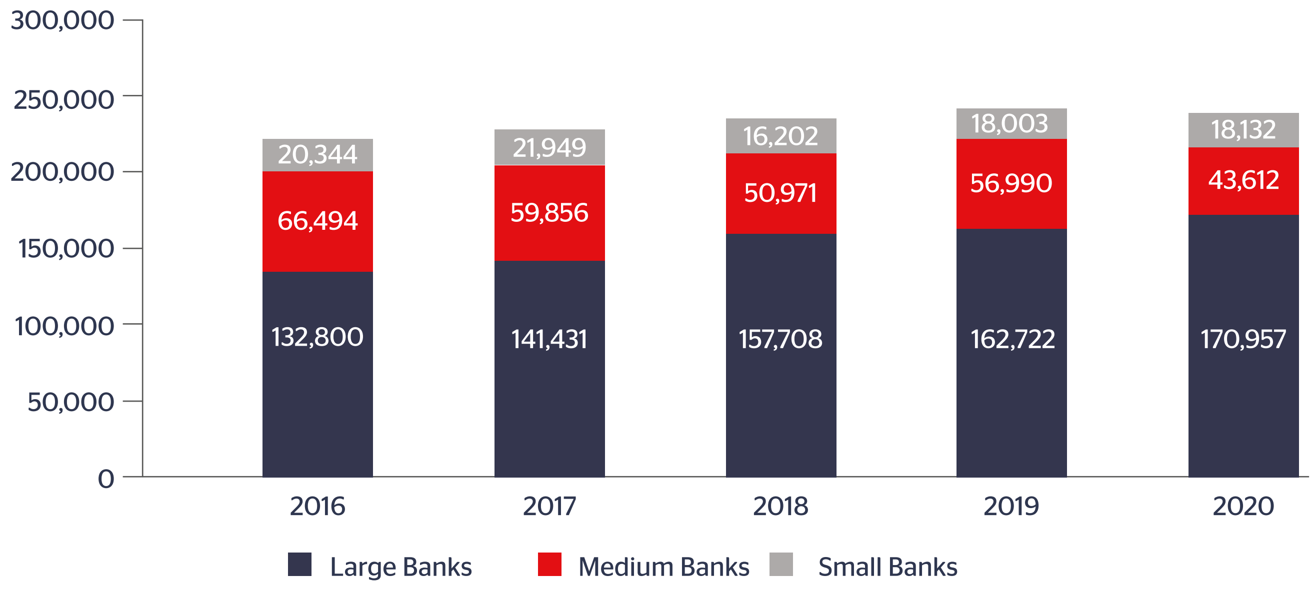
Of the 42 banking institutions (41 commercial banks and 1 mortgage finance company) in the Kenyan banking sector, only 35 offer mortgage loans. 89.1% of the commercial banks' mortgage market was held by 10 institutions comprising of 7 banks from the large peer group (73.0%), 2 medium sized banks (14.5%) and 1 small sized bank (1.6%). As at December 2020, the largest mortgage lender in Kenya was Kenya Commercial Bank Kenya Limited (KCB), which had a market share of 29.7%, followed by Stanbic Bank Kenya Limited with a market share of 13.1% and HFC Ltd with a market share of 11.2%. Overall, the 3 largest lenders control 54% of the market and only 19 banks (8 large, 6 medium and 5 small banks) have a mortgage portfolio exceeding KES 1 billion.

Table 1: Mortgage Outstanding as at December 2020

	Institution	Peer Group	Mortgage Outstanding (KES M)	Mortgage Market Share
1	Kenya Commercial Bank Limited	Large	69,063.00	29.7%
2	Stanbic Bank Kenya Limited	Large	30,541.00	13.1%
3	HFC Bank	Medium	26,092.00	11.2%
4	Standard Chartered Bank Kenya Limited	Large	21,422.10	9.2%
5	Absa Bank Kenya Limited	Large	14,298.00	6.1%
6	Co-operative Bank of Kenya Limited	Large	11,884.00	5.1%
7	Equity Bank Limited	Large	11,529.00	5.0%
8	NCBA Bank Kenya Limited	Large	11,102.00	4.8%
9	Family Bank Limited	Medium	7,656.30	3.3%
10	Dubai Islamic Bank Kenya Limited (DIB)	Small	3,716.00	1.6%
11	Development Bank of Kenya Limited	Small	3,092.40	1.3%
12	SBM Bank Kenya Limited	Small	3,049.40	1.3%
13	I & M Bank Limited	Medium	2,866.00	1.2%
14	First Community Bank Limited	Small	2,415.80	1.0%
15	Bank of Africa Limited	Medium	2,285	1.0%
16	National Bank of Kenya Limited	Medium	2,163.00	0.9%
17	Bank of Baroda Limited	Medium	1,563.00	0.7%
18	Kingdom Bank Limited	Small	1,194.50	0.5%
19	Diamond Trust Bank of Kenya Limited	Large	1,118.30	0.5%
20	Sidian Bank Limited	Small	984	0.4%
21	Consolidated Bank of Kenya Limited	Small	869.4	0.4%
22	Guardian Bank Limited	Small	793	0.3%
23	African Banking Corporation Limited	Small	764.6	0.3%
24	Ecobank Kenya Limited	Medium	533.4	0.2%
25	Gulf African Bank Limited	Small	385.6	0.2%
26	Spire Bank Limited	Small	322.9	0.1%
27	Bank of India	Medium	288.9	0.1%
28	Victoria Commercial Bank Limited	Small	276	0.1%
29	Paramount Bank Limited	Small	246	0.1%
30	Prime Bank Limited	Medium	164	0.1%
31	Middle East Bank Limited	Small	22	0.0%
	Total Mortgage Outstanding		**232,700.60**	**100.0%**

Source: Central Bank of Kenya

Figure 8: Historical Total Mortgage Loans Outstanding (KES Million)



Source: Central Bank of Kenya

The mortgage loan assets outstanding increased by a Compound Annual Growth Rate (CAGR) of 1.5% from KES 219.6 billion in December 2016 to KES 232.7 billion in December 2020. There was also an increase in the number of mortgage loans issued, with the number of accounts increasing by a CAGR of 2.9% from 24,059 reported in December 2016 to 26,971 reported in December 2020. However, the average mortgage loan size gradually decreased from a high of KES 9.1 million, reported in December 2016 to KES 8.5 million reported in December 2020.

The value of mortgage loans outstanding decreased by 2.1% (KES 5.0 billion) to KES 232.7 billion in December 2020 from KES 237.7 billion in December 2019. The decrease was mainly due to repayments and decreased mortgage facilities advanced by banks due to effects of COVID-19.

Table 2: Historical Total Mortgage Loans Outstanding (KES Million)

Peer Group	2016	2017	2018	2019	2020	CAGR
Large Banks	132,800.43	141,430.67	157,707.83	162,722.00	170,957.40	6.5%
Medium Banks	66,493.78	59,856.19	50,971.25	56,989.90	43,611.60	-10.0%
Small Banks	20,344.09	21,949.39	16,201.69	18,002.60	18,131.60	-2.8%
Total	**219,638.30**	**223,236.25**	**224,880.77**	**237,714.50**	**232,700.60**	**1.5%**

Source: Central Bank of Kenya

10.2.2 Portfolio Quality

The outstanding value of non-performing mortgages increased by a CAGR of 6.0% from KES 22.0 billion in December 2016 to KES 27.8 billion in December 2020. However, the outstanding value of non-performing mortgage loans decreased from KES 31.0 billion in December 2019 to KES 27.8 billion in December 2020 due to repayments and a decrease in mortgage facilities issued as a result of the COVID-19 pandemic.

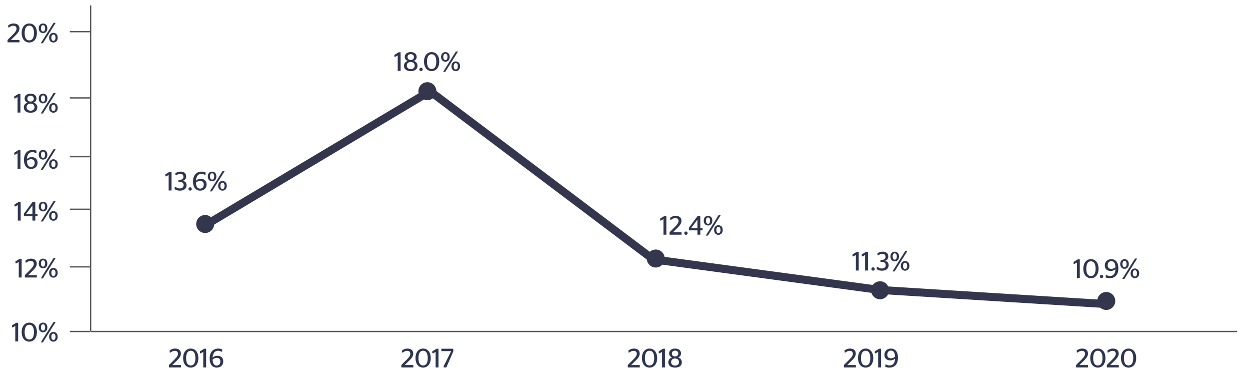
The non-performing mortgage loans to gross mortgage loans ratio was 11.9% in December 2020 as compared to 13.0% in December 2019. The ratios were below the industry gross NPLs to gross loans ratio of 12.5% in December 2019 and 14.5% in December 2020.

Table 3: Outstanding value of non-performing mortgage loans (KES Million)

Peer Group	2016	2017	2018	2019	2020	CAGR
Large Banks	7,139.67	9,468.20	9,990.50	11,614.00	15,232.30	20.9%
Medium Banks	7,218.50	8,604.58	6,856.86	13,165.40	6,615.80	-2.2%
Small Banks	7,670.04	9,195.10	21,218.85	6,194.30	5,959.50	-6.1%
Total	**22,028.21**	**27,267.88**	**38,066.21**	**30,973.70**	**27,807.60**	**6.0%**
NPL/Gross mortgage loans	**10.0%**	**12.2%**	**16.9%**	**13.0%**	**11.9%**	**N/A**

Source: Central Bank of Kenya

Figure 9: Average Interest Charged on Mortgages



Source: Central Bank of Kenya

According to the Central Bank of Kenya, the average interest rate charged on mortgages for the year 2019 was 10.9%, and it ranged between 7.0 % and 15.0% in 2020. This was lower than an average of 11.3% recorded in 2019 albeit having a range of 7.0% to 13.0%. The decrease in average interest rates was consistent with decrease in interest rates in the year 2020.

About 80.2% of mortgage loans were on variable interest rates in 2020 as compared to 86.3% in 2019. The decrease in variable rates was due to uncertainty brought about by the COVID-19 pandemic.

10.2.3 Mortgage Loan characteristics

The Mortgage loan characteristics for the year ended December 2020 were as follows:

- Loan to value (maximum loan as a percentage of property value) was pegged below 90% by majority of the banks in 2020 and 2019; and
- The average loan maturity was 11.0 years with minimum of 4 years and a maximum of 20 years in 2020 as compared to average loan maturity of 11.2 years with a minimum of 5 years and a maximum of 20 years in 2019.

10.2.4 Obstacles to Mortgage Market Development

According to the residential mortgages market survey of December 2020 by the CBK, the following were noted to be the challenges facing the mortgage market:

- Impact of the COVID-19 Pandemic;
- High cost of housing units;
- High cost of land for construction;
- High incidental costs in terms of legal fee, valuation fee and stamp duty;

- Difficulties with property registration/ titling;
- Low level of income;
- Limited access to affordable long-term finance;
- Stringent land laws;
- Credit Risk;
- Lengthy charge process timelines; and
- Lengthy process of security realization by banks in case of default.

According to the CBK mortgage market survey 2020, banks identified; Impact of COVID-19 Pandemic, high cost of housing units, high cost of land for construction, low level of income and limited access to affordable long-term finance, as the major impediments to the growth of their mortgage portfolios.

10.2.5 Affordable Housing in Kenya

In December 2017, the Government of Kenya (GoK) launched the Affordable Housing Programme, which is one of the pillars of the 'Big Four Plan' for economic development in Kenya. The programme intends to deliver 500,000 affordable houses by the year 2022. GoK had purposed to support the programme through:

- Providing state-owned land for free or at low cost;
- Develop or subsidize bulk infrastructure for identified sites that will be part of the Affordable Housing Programme;
- Coordinate and expedite statutory approvals from authorities and utility providers;
- Make provisions to ensure that housing units for Kenyan citizens are offered at an affordable price; and
- Create an environment that mobilizes private sector resources by de-risking projects and encouraging private sector investment and participation in the Affordable Housing Programme.

According to Knight Frank's Kenya Market Update (H2 2020), the Kenyan housing market witnessed various private developers with affordable housing units' projects including:

- Phase 1 Unity West residential project by Unity Homes in Tatu City consisting of 384 units which are expected to be completed by 2022;
- 265 Elmer One Apartments by Centum Real Estate in Kasarani consisting of 268 units;
- Hydro City by Hydro Developers Limited partnering with the Kenyan government through a Public-private Partnership (PPP) to construct 30,489 affordable units in Kamiti;
- Construction of 20,000 affordable units through a PPP between Kitui County Government and Tecnofin Kenya Limited expected to be completed in 2022;
- Anderson Ofafa Housing Project by Kisumu County Government consisting of 1,200 affordable housing units; and
- Green Zone Housing Project in Thindigua by Krishna Group consisting of 160 units expected to be completed by 2022.

According to KNBS, during the period 2018 to 2019 the government delivered 960 residential houses through the National Housing Corporation and the State Department for Housing and Urban Development. However, as of December 2019 a total of 5,134 housing units were under construction by the National Housing Corporation and the State Department of Housing of which 4,700 of housing units commenced in 2019. On the private residential, the total number of buildings completed increased from 7,834 in 2015 to 11,802 in 2019. The table below presents the details on the Private and Public Buildings.

Table 4: Reported Number and Value of Private and Public Buildings Completed for the period 2015 to 2019

Number						
Year	**Private (Nairobi City County)**			**Public Residential**		
	Residential	**Non-residential**	**Total**	**National Housing Corporation**	**State Department for Housing**	**Total**
2015	7,834	1,220	**9,054**	45	0	**45**
2016	8,806	1,462	**10,268**	240	822	**1,062**
2017	9,864	2,038	**11,902**	0	1,164	**1,164**
2018	10,785	1,940	**12,725**	180	250	**430**
2019	11,802	2,174	**13,976**	100	430	**530**

Source: KNBS Economic Survey 2020

The Government has also increased its budget expenditure towards housing since fiscal year 2015/16 from KES 7,342.7 to KES 27,553 in 2019/20. According to the 2020/21 budget, GoK has allocated KES 6.9 Billion to cater for the Affordable Housing Programme undertaken by drivers and enablers. The following tables shows the government expenditure on housing over the period 2015 to 2020.

Table 5: Government Expenditure on Housing

Year	**Expenditure in KES Million**		**Actual Expenditure as a percentage of approved expenditure**
	Approved	**Actual**	
2015/16	7,342.7	6,034.5	82.2%
2016/17	17,497.7	15,242.7	87.1%
2017/18	18,409.9	16,130	87.6%
2018/19	26,810	24,793	92.5%
2019/20	27,553	0	

Source: KNBS Economic Survey 2020

10.2.6 GoK incentives supporting Affordable Housing

The incentives adopted by GoK towards affordable housing include:

- Establishment of KMRC with access to capital from the National Treasury and KES 35 billion credit line from the World Bank and Africa Development Bank. KMRC will provide long term funds to primary mortgage lenders who will provide access to affordable mortgage loans;
- Reduction of corporate tax rates from 30% to 15% for developers who construct at least 100 units per year to encourage more private developers to develop affordable housing units;
- Establishment of a National Housing Development Fund which is funded through employer contributions subject to a maximum of KES 5,000 and employee contributions;
- Exemption of first time home buyers from paying stamp duty; and
- Strengthening of National Housing Corporation to provide tenant purchase schemes.

10.2.7 Outlook

Despite a slump experienced in 2020 due to the COVID-19 pandemic, we expect the mortgage market to recover, supported by: continuing recovery of the economy, the operationalization of KMRC, continued focus on the affordable housing initiative, and improvement of infrastructure opening up areas for investment.

11. KMRC BUSINESS OVERVIEW

11.1 Background

The Kenya Mortgage Refinance Company PLC (KMRC) was incorporated on April 19th, 2018, under the Companies Act 2015, and is domiciled in Kenya. The Issuer was established on the back of low home ownership rates in urban centres in the County, caused by limited and inaccessible housing finance as well as the high cost of housing. The Issuer is one of the key enablers of the Affordable Housing Pillar of the Government's main development objectives for the period 2017 to 2022, under the Third Medium Term Plan (MTP III) of Kenya's Vision 2030. KMRC's main intention is to develop the housing sector, essentially by bringing about a greater supply of housing finance to the Kenyan Public.

The Issuer's main objectives are to provide:

- Direct funding to primary mortgage lenders (Commercial banks, microfinance banks and SACCOs); and
- A liquidity backstop to the primary mortgage lenders.

By serving these two objectives, KMRC intends to increase mortgages disbursed by primary mortgage lenders, by increasing the long-term funds available to them and reducing the risk of maturity mismatch in the PMLs' assets and liabilities.

KMRC is actualizing its objectives by extending long term loans at fixed rates to primary mortgage lenders, secured against a portfolio of underlying mortgages or alternative collateral so that they can extend the maturity of their housing loans to eligible individuals, hence increasing affordability and availability of housing finance. Through its re-financing activities, the Issuer seeks to catalyse growth of the mortgage market in Kenya by targeting households that fall within the mortgage gap and lower middle-income categories, which represents about 95% of the formally employed population.

The Issuer was purposely established as a public private partnership arrangement with majority private sector ownership in order to crowd in private sector funding to support affordable housing. In 2019, the Issuer successfully closed a capital mobilization drive which resulted in the Government of Kenya, eight commercial banks, one microfinance bank, eleven SACCO's and two Development Financial Institutions becoming shareholders of the Issuer. In addition, to ensure KMRC has adequate financial resources to achieve its objectives, KES 34 billion was mobilized in form of debt finance from the World Bank and African Development Bank through the National Treasury.

KMRC received a mortgage refinance business license from the CBK on September 18th, 2020 giving it the greenlight to commence its core business of providing fixed long-term financing to participating commercial banks, microfinance banks and SACCOs for onward lending to borrowers seeking long-term home loans at affordable rates.

On December 17th, 2020, KMRC approved loans for disbursement (pending security perfection) of KES 2.75 billion to participating primary mortgage lenders. The PMLs are namely, KCB Bank Kenya Limited, Housing Finance Company Limited, Stima Sacco Society Limited and Tower Sacco Society Limited; KES 2.13 billion, KES 514 million, KES 69 million and KES 29 million respectively. This approvals for disbursement would be funded from the World Bank line of credit. The initial lending is to be issued at a fixed rate of 5%.

11.2 Legal Structure and Regulation

KMRC is set up as a public limited liability company incorporated under the Companies Act. As a non-bank financial institution, it is restricted to providing long-term funding and capital market access to primary mortgage lenders through the issuance of bonds to investors. As a wholesale secondary market institution, it neither take deposits nor lends directly to individual borrowers. The Issuer is subject to regulation and supervision of the CBK with CMA providing oversight over its bond issuance operations. In addition to Applicable Laws, the Issuer's internal operations are governed by its Memorandum and Articles of Association.

11.3 Vision, mission and Core Values

11.3.1 Vision

KMRC's vision is "*To be the premier housing refinance company driving development and growth of housing finance in Kenya*".

11.3.2 Mission

KMRC's mission is "*To increase accessibility and affordability of housing loans in Kenya by providing long term financing to primary mortgage lenders*".

11.3.3 Core Values

KMRC's core values are:

- Collaboration – KMRC is 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 – KMRC is committed to adhering to high ethical and moral principles ensuring transparency and trustworthiness in our operations.
- Innovation – KMRC is committed to continuous improvement in our product offerings, the way we work and the professional development of our staff.
- Efficiency – KMRC is committed to striving for maximum impact by effectively minimising waste through developing dynamic and relevant policies and procedures.

11.4 Share Capital

The authorised share capital of KMRC is KES 5,000,000,000 divided into 50,000,000 ordinary shares of KES 100 each. The issued and fully paid share capital of KMRC is KES 1,808,375,125 made up of 18,083,751 ordinary shares of KES 100.00 each.

11.5 Key Milestones

Figure 10: Key Milestones

2018	**KMRC was incorporated on 19th April 2018**
2019	**Completed a successful capital Mobilization drive which resulted in the Government of Kenya, eight commercial banks, one microfinance bank, and eleven SACCO's becoming shareholders of the Company**
2020	• **In June 2020, KMRC had its first Annual General Meeting** • **In September 2020, KMRC was issued with a license by CBK** • **In December 2020, KMRC approved disbursements of KES 2.75 billion to participating primary mortgage lenders**

Source: KMRC

11.6 Lending Products

KMRC's key objective is to act as a wholesale lender in Kenya's housing market, refinancing the mortgage portfolios of its member PMLs. To this end, KMRC has developed eligibility criteria that would guide PMLs on the refinance loans that can be provided by KMRC based on their underlying mortgage portfolio. Broadly, KMRC's refinance loans are categorized as either:

i) Affordable Housing Loans: These are PML loans for mortgage portfolios defined as "Affordable" by the Government. These loans are capped at KES. 4 million and below within the Nairobi Metropolitan Area and KES. 3 million outside the Nairobi Metropolitan Area. These loans would ideally be extended to borrowers with a monthly income of not more than KES. 150,000 . These mortgages will be predominantly refinanced through the concessional funding provided by the World Bank (up to 80% of portfolios presented to KMRC by PMLs) and AfDB funding (up to 40% of portfolios presented to KMRC by PMLs)

ii) Market-Rate Housing Loan: These are PML loans for mortgages with a value of more than KES. 4 million. These mortgages will be partially refinanced through the concessional funding provided by the World Bank (up to 20% of the portfolio presented to KMRC by PMLs), the AfDB financing (up to 60% of the portfolio presented to KMRC by PMLs) and future bond issuances.

After passing KMRC's internal credit review, PMLs can access KMRC funding by pledging their portfolios in line with the above categorization. PMLs can also provide alternative collateral including Government Securities, Cash or Deposits assigned to KMRC to access the refinance loans.

11.7 KMRC Lending and Security Process

The KMRC Lending and Security Process will flow as follows:

- KMRC will enter into a Master Servicing and Refinancing Agreement (the "MSRA") with each member institution which wishes to obtain a refinance facility from KMRC. The MSRA will be the umbrella arrangement with regard to any refinancing of a member institution's mortgages by KMRC. Only member institutions meeting the specified eligibility criteria will be offered refinance facilities by KMRC;
- For each refinancing loan KMRC issues, KMRC will enter in a specific Loan Disbursement Agreement which will contain the specific terms of the loan including the amount, the tenor, applicable interest and the security details;
- The refinancing loans will be secured by specific mortgage loans issued by the member institution and these mortgage loans will be subject to review to ensure they met the required criteria. The security will be in the form of an assignment of the member institutions rights in the mortgage loans (including receivables and enforcement rights).

KMRC loans will be subject to terms as described in the Master Servicing and Refinancing Agreement between KMRC and each of the borrowers. Because KMRC will be funded from the bond market, these terms will vary over time depending on the market environment and as the Issuer gains experience in the market. The terms of the loans will also differ for affordable housing and with the nature of the underlying housing loans. Key terms will be as follows:

(a) **Loan amounts:** Loans will be made against the volume of underlying housing finance loans for each of the borrowers. However, for planning purposes, KMRC will at the beginning of each period (financial year) estimate the annual limit for each borrower to aid in allocations. The annual credit limit will be primarily a planning tool and subject to adjustment by agreement of the parties. The onsite reviews have indicated the existing loans that could be refinanced, and this will act as a starting point of KMRC staff. However, a detailed file check will be required to ensure that the underlying loans meet the minimum eligibility criteria.

(b) **Loan agreements:** Loans will be governed by a Master Servicing and Refinancing Agreement (MSRA) between the Issuer and each borrower. For each loan request, a separate Loan Disbursement Agreement highlighting the terms of that specific disbursement will be entered into between the PML and KMRC. Initially, it is assumed that the disbursements from KMRC will be annual, and the frequency will improve over time as standardisation is achieved.

(c) **Maturities:** KMRC will attempt to match the remaining life of the pledged loans in its initial loans which have an average life of 3 to 7 years. The maturities will lengthen over time as KMRC establishes a track record and financial institutions are able to offer longer term housing loans.

(d) **Loan structure:** The initial loans will be amortising to match the profile of the underlying housing loans. The funding structure will also be amortising. Bullet structures with a sinking fund structure are not preferred unless the borrowers will be required to ring fence the sinking fund and preferably managed by an external party acceptable to KMRC.

(e) **Prepayment:** When a loan pledged to KMRC is prepaid, financial institutions will be able to replace it by another eligible loan. This condition may be reviewed with time with an allowance for prepayment penalties that enables KMRC to deal with early repayments to bondholders or to take on a reinvestment risk.

(f) **Pricing:** Loans will be priced from the cost of funding allowing for KMRC's operating margin. KMRC has received funding from the World Bank and AFDB through loans to the National Treasury. The National Treasury has priced these facilities to allow on-lending at concessional rates and in KES. This includes a subordinated capital tranche that allows KMRC to be very competitive on the net interest margin as most (if not all) of their operating costs are covered by investment income from KMRC's treasury portfolio. The business plan assumes that KMRC spread on top of funding cost can be maintained at a maximum of 0.50%.

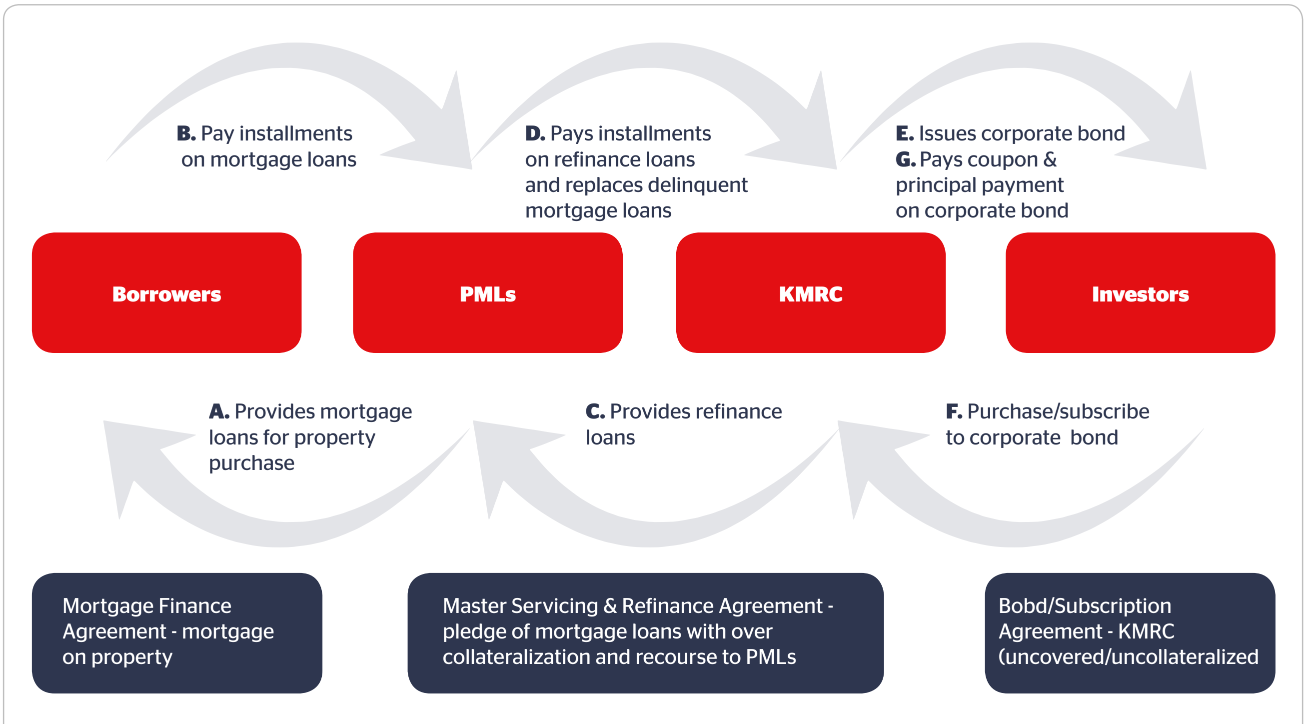
g) **Security agreements:** Borrowers deliver to KMRC with each loan an effective pledge and security agreement granting KMRC a first lien on specified mortgage loans in the PML's portfolio. The security agreement authorizes KMRC to take possession of the loans, notify mortgage loan borrowers, and collect proceeds of the loans in the event of a default by the borrower in payment of the loan.

h) **Overcollateralization:** For the duration of the Master Servicing and Refinancing Agreement, the value of pledged mortgage loans net of provisions will exceed the aggregate outstanding balance of the borrower's loans from the Issuer. It is anticipated that the level of collateralization will equal 120% for residential mortgages, meaning that if KMRC makes a KES 100 million refinance loan to a PML it will require KES 120 million in eligible performing residential mortgages. The borrowers are given sufficient flexibility to substitute other forms of collateral (e.g. Government securities, cash, etc.) should they not have adequate eligible mortgages for replacement.

i) **Recourse and replacement of loans:** For the duration of the Master Refinance Agreement, the borrower agrees to maintain the collateral at the required level by substituting new collateral in the pledge to replace non-performing and pre- paid loans. In addition to requiring periodic reporting, KMRC will conduct onsite visits to financial institutions to check the quality of the collateral.

j) **Custody and servicing:** Mortgage loans pledged to KMRC would remain on the balance sheet of the borrower and the borrower would continue to service the loans in accordance with servicing standards established by the Issuer in its operations manual. All refinance loan documentation are delivered to the custody of the Issuer or its designated agent with counterparts of the same shared with the borrower for the purpose of monitoring of covenants therein

Figure 11: KMRC lending and security process



Source: KMRC

11.8 KMRC Borrowers

KMRC transacts with its member financial institutions. To be eligible for borrowing, the financial institutions must adhere to certain minimum requirements which are both quantitative and qualitative in nature as described below;

Table 6: Eligibility Criteria for KMRC Borrowers

Quantitative Criteria	Qualitative Criteria
Under CBK supervision for banks and MFBs and under SASRA supervision for SACCOs	Implementation of or willingness to adhere to the Issuer's Minimum Asset Quality Standards in originating and servicing mortgage loans.
Must have undergone onsite inspection by the regulator in the last two years.	Dedication of the necessary resources such as number of loan officers, office space, computer support, etc. to the lender's mortgage programme.
Financial Institutions should have full compliance with prudential regulations, including but not limited to: Liquidity requirements and Capitalization requirements.	Participation in KMRC mortgage lending training programmes.
Operational profitability: profitable for 2 out of the last 3 years as evidenced by audited financial statements.	Commitment to provide loans to the programme objectives including lending to target group (affordable housing segment).
	Quality of loan underwriting and risk management practices.
	Mortgage loan portfolio performance to be reviewed periodically by KMRC.

Source: KMRC

The prudential guidelines will change from time to time and KMRC will adopt the eligibility criteria to be consistent with the CBK and SASRA guidelines. New financial institutions that become KMRC members, and are without requisite track record will apply for specific waivers. In addition, KMRC will institute a single borrower limit in its risk management framework.

11.9 KMRC Potential Market

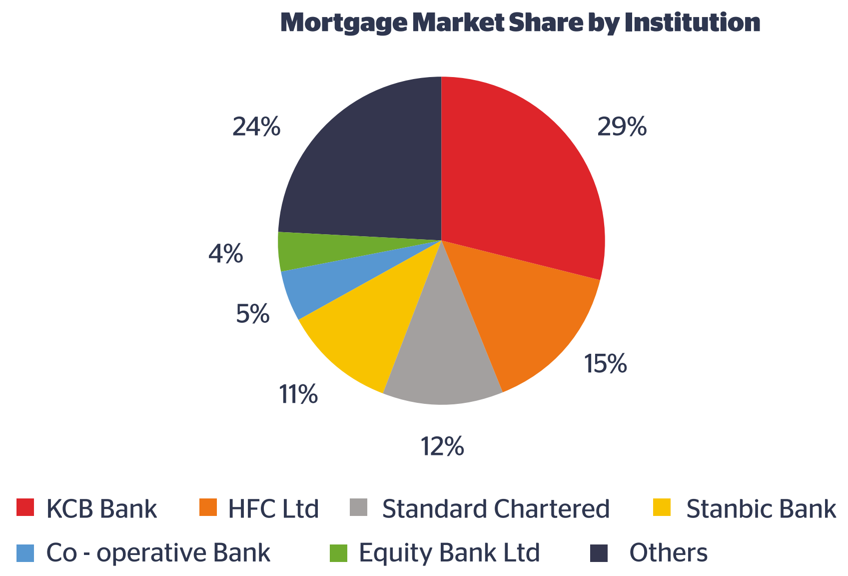
KMRC's potential mortgage pool for refinancing is driven by the PML loans that it projects to finance into the future. These include:

a) Mortgage Market: The value of mortgage loan assets by banks outstanding increased from KES. 223.2 billion in December 2017 to KES. 232.7 billion in December 2020[5] , representing a growth of 2%. Though these statistics do not include SACCOs and MFIs mortgage loan volumes, they represent a sizeable mortgage market that KMRC could tap into to generate PML loans.

b) Lending Pool: About 76% of lending to the mortgage market was by 6 institutions that is, one medium-sized bank (15%) and five tier-1 banks (61.1%)[6]. . KMRC is currently limited to lending to its member institutions. However, this does not present an immediate limitation to KMRC's growth prospects as 4 out of the top 6 mortgage institutions are KMRC members. These top institutions account for about 60% of the current mortgage market.

5 CBK Bank Supervision Reports
6 CBK Bank Supervision Reports

Figure 12: Residential Mortgage Market Share by Institution (Banks)



Source: Central Bank of Kenya Supervision Reports

The Government's policy to encourage the development of affordable housing is expected to boost the supply of affordable housing over the medium to long term. According to the State Department of Housing, there are over 600,000 affordable housing units under various stages of development. This is expected to have a positive impact on the long-term growth in mortgages.

Taking into account the above factors, KMRC's management projects KES 6.3 Billion to finance PML loans in 2021. This is expected to grow and allow KMRC finance up to KES 51 Billion between 2021 to 2025. Beyond 2025, the PML loan pipeline is projected to grow in line with housing sector growth allowing an additional KES 139 Billion of PML loans to be financed between 2026 – 2030.

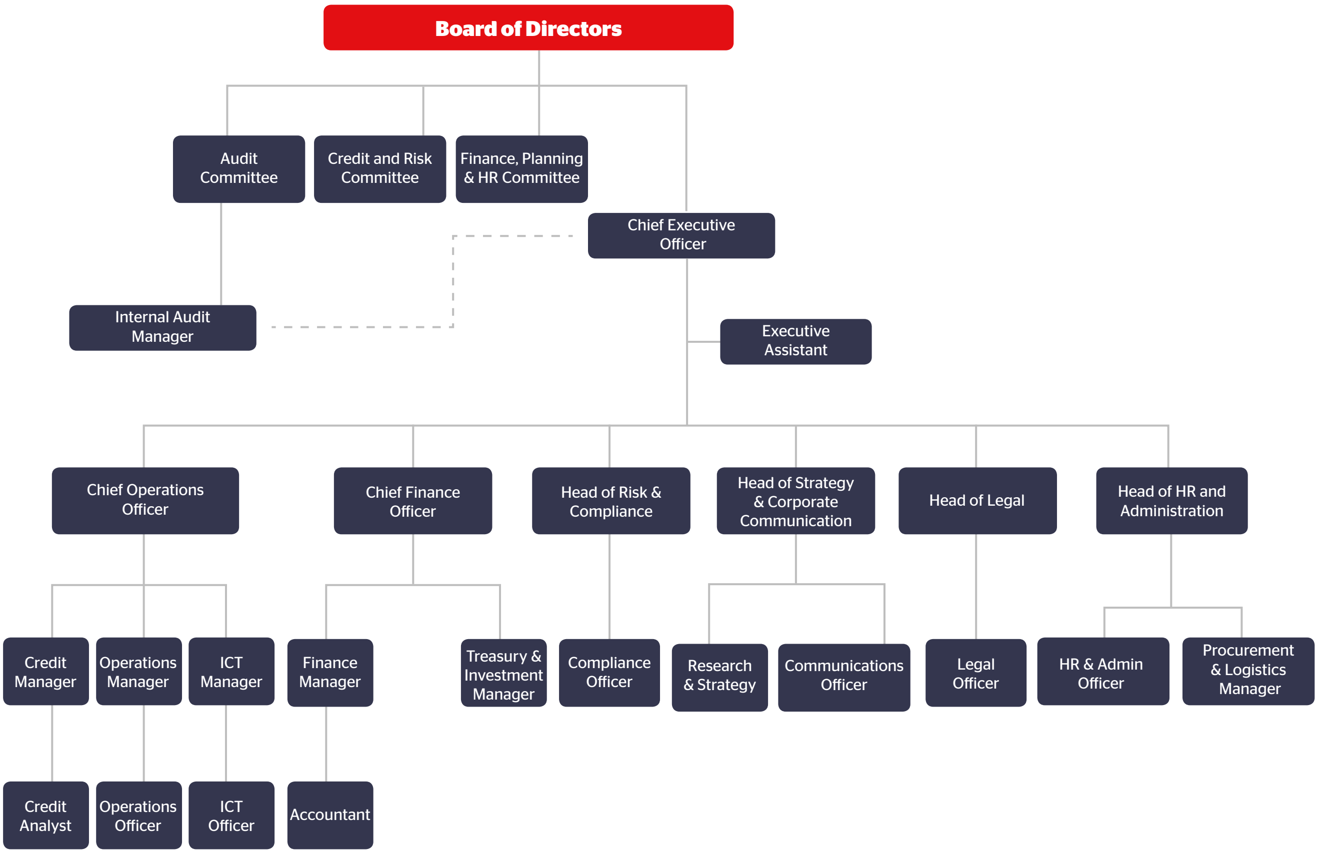
11.10 Employees

As at 31st December 2020, KMRC had a total workforce of 14.

11.11 Organization Structure

The current high-level functional organisational structure of KMRC is as shown by the following chart.

Figure 13: Functional organization chart



Source: KMRC

11.12 Business Strategy

KMRC continues to implement its strategic plan 2020- 2024 which sets its purpose and business direction. The strategy also guides decisions on allocating resources needed to accomplish the objectives. The objectives guiding company operations include:

1. To provide liquidity financing to Primary Mortgage Lenders. This entails supporting development of the housing sector by bringing about a greater supply of housing finance and playing a significant role in increasing affordable housing finance. Initiatives under this objective enable primary mortgage lenders to address their asset-liability maturity mismatch.
2. To promote the development of improved mortgage lending practices within the primary mortgage lenders. KMRC's role will entail engaging with relevant stakeholders to standardize the mortgage lending procedures so as to develop efficiencies and ensure a consistent experience for consumers.
3. To raise long-term finance efficiently and sustainably. KMRC is currently drawing down funds for lending from the credit lines facilitated by National Treasury. However, KMRC will need to ensure that it is able to continually raise long term funding at attractive rates, and issuance of corporate bonds will be one of the initiatives to meet this objective.
4. To support developments in the housing market. Historically, the developments in the housing market have favoured the upper middle and high-end markets, neglecting the middle and lower income. This is a

consequence of market failures which impeded the viability of affordable housing developments. This being the case, KMRC, through interactions with different stakeholders, will help to address the challenges facing the broader housing market by acting as a convener of different stakeholders including property developers, PMLs, donors and the GoK and promoting reforms in the sector.

11.13 Environmental and Social Governance

Environmental and social sustainability is a core part of KMRC's commitment to responsible finance.

KMRC has implemented Environmental and Social Risk Management Policy which stipulates guiding principles and underlying processes for effective implementation of the Company's commitment to environmental and social sustainability. It covers the integration of Environmental and Social Risk Management (ESRM) practices in the lending activities of KMRC.

Primary Mortgage Lenders are expected to conduct adequate screening against KMRC Environmental &Social Screening Criteria, which is part of the core lending requirements.

Environmental and Social risks arise when refinancing is supported by mortgage collateral originated in an environmentally and socially unsustainable way. This may create credit or reputational risks to primary mortgage lenders and/or KMRC.

For example, properties that are built without a proper environmental assessment, can become lost collateral if they are located in flood-prone areas.

KMRC recognizes that the primary responsibility for management of E&S risks and impacts rests with the primary mortgage lenders (PMLs). In this regard, KMRC has been supporting PML's to institutionalize, and implement adequate policies, procedures, and practical tools for environmental and social risk screening. The KMRC E&S policy is benchmarked against:

(i) Sustainable Finance Initiative Guiding Principles[1];
(ii) The Environmental Management and Coordination Act (EMCA), 1999;
(iii) The Environmental and Social Policies and Guidelines of the World Bank Group.

1 https://sfi.kba.co.ke/. Accessed July 15, 2018

12. CORPORATE GOVERNANCE AND SHAREHOLDING

12.1 Board of Directors

The Board of Directors is responsible for the governance of the Issuer and comprises of six non-executive directors, the Company Secretary and the Chief Executive Officer. The summary profiles of the directors of KMRC's Board is as follows:

Table 7: KMRC Board of Directors

Board of Directors	Summary Profile
Haron Sirima **Age: 59** **Chairman of the Board** **(Non-Executive)**	Dr. Haron Sirima, OGW is currently the Director-General, Public Debt Management Office at the National Treasury. A career central banker, he joined the Central Bank of Kenya in 1986 as a graduate trainee and rose through the ranks to the position of Deputy Governor, Central Bank of Kenya and Vice Chairman, Monetary Policy Committee. He has previously served as Deputy Director Management Department, Ministry of Finance and Adjunct Professor at Jomo Kenyatta University of Agriculture and Technology. Dr Sirima has been involved in the design and implementation of public debt management reforms including the preparation of the legal framework for public finance management at the National Treasury. He holds a B.A Economics and B.Phil. Economics degrees from University of Nairobi, Master's degree in Economics from University of Manchester, UK, and PhD in Entrepreneurship from Kenyatta University. He has extensive professional training in monetary policy operations, foreign exchange reserves, sovereign debt, and strategic management.
Susan Maira **Age: 59** **Non-Executive Director** **(Non-Executive, Independent)**	Ms. Susan Maira is a lawyer by profession and has over 30years in the legal profession. She is the Managing Partner at Maira and Ndegwa Advocates. Prior to that she worked as an Associate Advocate at different law firms including K. Mwaura and Co. Advocates and Birech & Co. Advocates. She holds a Master of Arts in Leadership from Pan African Christian University, a Diploma in Law from University of Nairobi and a Bachelor's Degree in Law from Kenya School of Law. Ms. Susan Maira sits on the Board of KMRC as an Independent Director.
Samuel Makome **Age: 55** **Non-Executive Director** **(Non-Executive, Representing Banks)**	Samuel has over 20 years progressive experience in Banking, 13 of which have been at Executive management level specializing in strategic leadership, operations and Business Development. He previously worked in Citibank, Standard Chartered Bank and Equity Bank, at both regional and international levels in various parts of Africa, Asia, and the United Kingdom, which enabled him gain extensive experience and vast knowledge of the international, regional, and local banking environment. He holds a Masters in Organizational Leadership from the International Leadership University, Nairobi, Bachelor of Science (BSc) degree in Engineering from the University of Nairobi and is an Associate of the Chartered Institute of Bankers, London, UK (ACIB). Mr. Makome sits on the Board of KMRC as a non-executive director representing the member banks.

Robert Kibaara **Age: 48** **Non-Executive Director** **(Non-Executive, Representing Banks)**	Mr. Robert Kibaara is a renowned banker, with over 24 years' experience and an excellent record of accomplishment in successfully driving change, revenue mobilization and delivering outstanding business results. He has previously held several leadership positions including Retail Director at NIC Bank; Executive Director - Retail and Business Banking at National Bank of Kenya; General Manager - Integrated Distribution for Southern Africa and General Manager Personal Banking & New Business at Standard Chartered Bank; among other executive positions at Barclays Bank of Kenya. Mr. Kibaara sits on the Board of KMRC as a non-executive director representing the member banks. He holds a bachelor's degree in Banking and Finance from the University of Sunderland (UK) and a Post Graduate Diploma from the Chartered Institute of Marketing (CIM) UK.
Asman Khatolwa **Age: 48** **Non-Executive Director** **(Non-Executive, Representing Saccos)**	Mr. Asman Khatolwa joined Kenya Power in 1998 and was elected as a Director of Stima Sacco in 2015 and Honorary Secretary on 5th April 2017. He holds an MBA in operations management and a Bachelor of Commerce from University of Nairobi, he has a Diploma in social protection and development and is also a Certified Public Accountant (CPA). He is a member of the Operations Management Society of Kenya. Mr. Khatolwa sits on the Board of Kenya Mortgage Refinance Company as a representative of the Sacco sector in Kenya
Sarah Bonaya **Age: 59** **Non-Executive Director** **(Non-Executive, Independent)**	Ms. Sarah Bonaya has over 10 years' experience in the East Africa legislative assembly representing Kenya at the regional assembly to legislate and provide oversight over the east African community mandate as a parliamentarian. Prior to being elected in the legislative assembly, she was the Information Education and Communication Officer, attached to KEPI at Ministry of Health. She holds a Masters in Health Management, policy and planning from the university of Leeds, Higher Diploma in Public Health Education from Kenya Medical training college and Diploma in Nursing and Midwifery from Kenya medical training college Nairobi. Ms. Sarah Bonaya sits on the Board of KMRC as an Independent Director.
Godwin Wangong'u **Age: 58** **Company Secretary**	Godwin Wangong'u is the Senior Partner at the firm of Mboya Wangongú & Waiyaki Advocates. He was admitted to the Roll of Advocates of the High Court of Kenya in 1988. He holds a Bachelor of Laws Degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. He is also a member in good standing of the Law Society of Kenya and the Institute of Certified Secretaries of Kenya. He heads the firm's Corporate and Commercial Practice Group and is a member of the Real Estate, Banking and Finance Practice Group. Mr. Wangong'u began his legal practice with Nyachae & Company Advocates in 1988.He later established the firm Wangong'u & Company Advocates before merging with G.M Mboya & Co. Advocates in 2004. He has broad and extensive experience in Corporate and Commercial law. He is a Patent and Trade Mark agent, a Commissioner for Oaths and a Notary Public.

Johnstone Oltetia **Age: 48** **Chief Executive Officer and MD**	Mr. Oltetia is the Chief Executive Officer & Managing Director at the Kenya Mortgage Refinance Company PLC. Prior to this, he held the position of senior financial sector adviser at the National Treasury of Kenya, responsible for policy matters relating to banking, micro finance, capital markets, pensions and insurance among others. Mr. Oltetia was also the manager market supervision at the Capital Markets Authority, Kenya, responsible for oversight of listed companies, securities exchanges(s), central securities depositories, asset management companies, investment banks, stockbrokers and investment advisers among others. He is a Certified Investment and Financial Analyst and holder of MBA and Bachelor of Commerce degree. Member of Institute of Certified Investment and Financial Analysts (ICIFA) and Institute of Directors of Kenya (IOD). Mr. Oltetia is an alumnus of the Harvard Kennedy School and holds a certificate in innovating Public Policy and Service.

12.3 Senior Management

The summary profiles of the Issuer's management are as follows:

Table 8: KMRC Senior Management

Senior Management	Summary Profile
Johnstone Oltetia **Age: 48** **Chief Executive Officer and MD**	Mr. Oltetia is the Chief Executive Officer & Managing Director at the Kenya Mortgage Refinance Company PLC. Prior to this, he held the position of senior financial sector adviser at the National Treasury of Kenya, responsible for policy matters relating to banking, micro finance, capital markets, pensions and insurance among others. Mr. Oltetia was also the manager market supervision at the Capital Markets Authority, Kenya, responsible for oversight of listed companies, securities exchanges(s), central securities depositories, asset management companies, investment banks, stockbrokers and investment advisers among others. He is a Certified Investment and Financial Analyst and holder of MBA and Bachelor of Commerce degree. Member of Institute of Certified Investment and Financial Analysts (ICIFA) and Institute of Directors of Kenya (IOD). Mr. Oltetia is an alumnus of the Harvard Kennedy School and holds a certificate in innovating Public Policy and Service.

Florah Muthaura **Age: 37** **Head of Risk and Compliance**	Ms. Florah Muthaura is the Head of Risk and Compliance. She is responsible for ensuring risk containment with respect to all aspects of KMRC's operations. She oversees implementation of the Issuer's Risk Management Policy Framework as periodically revised and approved by the Board of Directors while ensuring that the Issuer's key risks of credit, market, liquidity and operational risks are identified, assessed, measured, controlled and managed prudently. Ms. Florah has over 12 years' experience in financial management, enterprise risk management and compliance in the financial services sector with dynamic variables. She has been exposed to designing, evaluating and implementing risk management processes through integration of controls, audit and process management capacity building. Significant experience in Asset and Fund Management as well as Securities investment with global practices and competitive market positioning. She was previously within the Old Mutual Group as a Risk and Compliance Specialist before moving to Standard Chartered Bank as a Finance Operational Risk Manager. She has also gained experience in the public sector having worked for Privatization Commission for close to 3years. Ms. Florah holds a Master of Business Administration (MBA) degree in Strategic Management from University of Nairobi and a Bachelor of Commerce Degree in Actuarial Science from Kenyatta University. She is also a Member of ICPAK and Association of Women Accountants of Kenya (AWAK).
Geofrey Mwaura **Age: 49** **Head of Credit**	Mr. Geofrey Mwaura has been the Head of Credit since June 2020. As the Head of Credit, Geofrey is instrumental in the implementation of the credit policy and sound risk management practices. Prior to joining the Issuer, he was the head of credit administration and previously, head of collections and credit manager at HF Group. He has extensive experience in credit management and has held several leadership positions in the banking industry. His areas of expertise include but not limited to credit appraisal, debt restructuring, portfolio management and project management. Geofrey holds Bachelor of Commerce Degree (Banking & Finance) from Kenyatta University, Certified Public Accountant, Certified Hay Job Evaluator, in addition to PRINCE2 Practitioner Certificate in Project Management from APM Group UK.

Deborah K. Masara **Age: 34** **ICT Manager**	Ms. Deborah Masara is the ICT Manager. As the ICT manager she is responsible for implementing the company ICT strategy, development and implementation of ICT policy and procedures, supervising the implementation and maintenance of the company's ICT infrastructure as well as planning and budgeting for the ICT department. Deborah has over 10 years' experience in designing, developing, implementing and deploying ICT systems, having previously worked at Attain Enterprise Solutions LTD where she was the head of implementation and support. She has successfully implemented ICT systems in the financial services sector, public sector, education sector, pension and asset management sector and NGOs. Deborah also has project management experience having managed many ICT projects. Deborah is a member of the Information Systems Audit and Control Association (ISACA). Deborah holds a Master of Business Administration (MBA) degree in Management of Information Systems from Kenyatta University and a Bachelor of Science Degree in Software Engineering from Kenyatta University.
Daniel Saruni Lelekoitien **Age: 46** **Head of Human Resources and Administration**	Daniel Lelekoitien is the Head of Human Resources and Administration, responsible for the management of the day-to-day operations of all HR administrative matters. With over 20 years cross industry experience, holding Strategic leadership and operational positions, Mr. Lelekoitien has a wealth of experience in human resources and administration in public and private sectors. Prior to joining the KMRC, Lelekoitien worked as the Deputy Director Human Resources Management at the Kenya Medical Research Institute (KEMRI). He also served as the Head of HR and Administration at Kenya Marine and Fisheries Research Institute (KMFRI) as well as Ewaso Ng'iro South River Basin Development Authority (ENSDA). While at ABSA (formerly Barclays bank of Kenya), Mr. Lelekoitien served as HR advisor-employee relations and resource coordinator-retail banking. He also worked at Kenya Wildlife Service (KWS) and at Pride Africa-Sunlink a Micro Finance Institution. He holds a Master's Degree in Business Administration (Strategic Management) from the University of Nairobi and a Bachelor of Commerce degree, Marketing option from Kenyatta University. He also has a Post Graduate Diploma in Human Resource Management from the University of Nairobi, in addition to being a member of the Institute of Human Resource Management (IHRM). Mr. Lelekoitien is a Certified Human Resource Professional (CHRP(K) from the College of Human Resource Management Kenya. In addition, he is a full member of the Institute of Human Resource Management (IHRM) and holder of HR Practicing Certificate.

Gideon Rutto **Age: 38** **Procurement and Logistics Manager**	Gideon Rutto is currently the Procurement and Logistics Manager, responsible for implementing the organization's procurement & logistics strategy, as a key deliverable for timely and cost-effective acquisition of goods and services. He joined the Kenya Mortgage Refinance Company in June 2020 from KCB Bank Kenya, where he worked in the procurement department as a strategic buyer, a role he held for 10 years. Prior to joining KMRC, he worked on short-term assignments at KCB Bank Rwanda in Kigali as a procurement manager. As KMRC's Procurement and Logistics Manager, Gideon's job contributes value to the Issuer and meets the standards of International Best Practice. He holds a bachelor's degree in Engineering from Moi University and is currently pursuing a Master of Science Degree in Procurement and Logistics Management at the Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a member of the Kenya Institute of Supplies Management (KISM) and the Chartered Institute of Procurement & Supply.
Erick Wambua **Age: 31** **Finance Manager**	Erick Wambua is the Finance Manager at the Kenya Mortgage Refinance Company, a role he has held since June 2020. He holds a Master of Science degree in Finance and a Bachelor of Arts Degree (Economics and Mathematics) from the University of Nairobi. He is also a Certified Public Accountant, a Certified Securities and Investment Analysts and a member of the Institute of Certified Public Accountants of Kenya. Prior to KMRC, he worked as a Corporate and Treasury Analyst at KCB Bank. He has also worked at Stanbic Bank and at Citibank N.A Kenya as a Finance Officer and Business Analyst, respectively. As the KMRC's Finance Manager, Erick oversees the accounting, financial reporting, analysis, and tax functions. He is also responsible for the coordination of planning, budget preparation, implementation, and controls.
Elisha Nyikuli **Age: 39** **Head of Legal Services**	Elisha Nyikuli is the Head of Legal Services at the Kenya Mortgage Refinance Company, a role he took up in May 2021. He holds a Bachelor of Laws (LLB) degree from the University of Nairobi (UoN) and Master of Laws (LLM) degree in International Financial Law and Regulation from Strathmore University. He is also a Certified Public Secretary and is a member of good standing in both the Law Society of Kenya as well as the Institute of Certified Secretaries. He also holds a certification in French from Alliance Française of Nairobi. Elisha is an experienced in-house corporate & commercial lawyer well-versed in the financial services industry. Prior to joining KMRC, Elisha worked for Stanbic Bank as a Senior Legal Counsel. He has previously served at National Bank of Kenya as Head of Security Documentation and at Gulf African Bank as Legal Officer, before which he had practiced law briefly at the firm of Sichangi & Associates Advocates. Elisha is responsible for managing all legal issues and legal risks faced by KMRC including but not limited to litigation; preparation, review and management of contracts; perfection of securities; providing legal advisory; ensuring compliance with the organization's governing structures; as well as providing oversight on the company secretarial services, which includes coordinating Board meetings and related documentation and action items.

12.4. Competence and Suitability of Directors and Management

As at the date of the application and for a period of at least two years prior to the date of the application, no director or senior manager of the Issuer has:

- Had any petition under bankruptcy laws pending or threatened against the directors (for individuals) or senior managers, or any winding-up petition pending or threatened against it (for corporate bodies);
- Had any criminal proceedings in which the director or senior manager was convicted of fraud or any criminal offence or action either within or outside Kenya; and
- Been the subject of any ruling of a court of competent jurisdiction or any governmental body that permanently or temporarily prohibits such director or senior manager from acting as an investment adviser or as a director or employee of a stockbroker, dealer or any financial institution or engaging in any type or business practice or activity.

KMRC's Board Charter provides clear roles for the Chairman of Board as well as the Chief Executive Office. Under the charter:

- The board shall elect a chair who shall be an independent non-executive director. The chairperson of the Board shall be responsible for the activities of the Board and its committees. The Chairperson shall provide effective leadership to the Board and act as a unifying factor in the Board's relationships among its members and between the Board and Management. The role of the Chairperson includes approving the agenda for Board meetings, chairing the meetings and ensuring that a record of proceedings of all Board activities is kept. The Chairperson shall act as the spokesperson for the Board and is the principal contact with the CEO.
- The Chief Executive Officer shall be appointed and be accountable to the Board of Directors. The CEO shall be an ex-officio member of the Board with no voting rights. The CEO shall be responsible for the effective management of the Company's resources and operations to ensure that they meet and achieve the Company's strategic, business, operating and financial objectives in line with the Board's long-term strategy. The CEO shall also be responsible for overseeing the execution of the Board's directions and policies to ensure desirable outcomes. The CEO shall serve as the link between the Board and the Management.

12.5. Board and Management Committees

The Board has approved the establishment of a number of permanent committees to assist in the discharging of its responsibilities. The Board is however aware that it is ultimately responsible and accountable for the performance of the Issuer. Ad hoc board committees are established when the need arises. The permanent committees are as follows:

12.5.1 Board Audit Committee

The mandate of the Board Audit Committee ("BAC") is to help the KMRC 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.

Table 9: Board Audit Committee

Directors	
Asman Khatolwa	Chairperson , Non-Executive Director
Susan Maira	Non-Executive Director
Robert Kibaara	Non-Executive Director
Samuel Makome	Non-Executive Director

12.5.2 Credit and Risk Committee

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

The BCRC is supported by control functions within KMRC, which include the internal audit, risk management and compliance functions. The BCRC is also mandated to review and oversee the overall lending process of the Issuer.

Table 10: Credit and Risk Committee

Directors	
Susan Maira	Chairperson, Non-Executive Director
Sarah Bonaya	Non-Executive Director
Johnstone Oltetia	Executive Director

12.5.3 Finance Planning & Human Resources Committee

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

The BFPHRC also oversees KMRC's system of accounting, reporting and internal control to ensure compliance with legal as well as agreed ethical requirements, in addition to providing guidance and support during strategy planning and implementation.

Table 11: Finance Planning & Human Resources Committee

Directors	
Sarah Bonaya	Chairperson, Non-Executive Director
Robert Kibaara	Non-Executive Director
Samuel Makome	Non-Executive Director
Asman Khatolwa	Non-Executive Director
Johnstone Oltetia	Executive Director

12.6 Shareholding

The shareholders of KMRC as at 30th September 2020 are as shown by the following table:

Table 12: Shareholding Structure

Institution	Amount Contributed	Total Allotment	No. of Shares	%
KCB Bank Kenya ltd	600,000,000	361,675,025	3,616,750	20.0%
CS National Treasury	800,000,000	458,000,000	4,580,000	25.3%
Co-operative Bank	200,000,000	200,000,000	2,000,000	11.1%
NIC Bank*	50,000,000	50,000,000	500,000	2.8%
HFC Limited	50,000,000	50,000,000	500,000	2.8%
Barclays Bank	50,000,000	50,000,000	500,000	2.8%
DTB Bank	50,000,000	50,000,000	500,000	2.8%
Stanbic Bank	20,000,000	20,000,000	200,000	1.1%
Credit Bank	10,000,000	10,000,000	100,000	0.6%
Stima Sacco	20,000,000	20,000,000	200,000	1.1%
Unaitas Sacco	10,000,000	10,000,000	100,000	0.6%
Imarika Sacco	10,000,000	10,000,000	100,000	0.6%
Kenya Police Sacco	10,000,000	10,000,000	100,000	0.6%
Imarisha Sacco	10,000,000	10,000,000	100,000	0.6%
Mwalimu National Sacco	10,000,000	10,000,000	100,000	0.6%
Bingwa Sacco	10,000,000	10,000,000	100,000	0.6%
Harambee Sacco	25,000,000	25,000,000	250,000	1.4%
Ukulima Sacco	10,000,000	10,000,000	100,000	0.6%
Tower Sacco	10,000,000	10,000,000	100,000	0.6%
Safaricom Sacco	10,000,000	10,000,000	100,000	0.6%
KWFT	10,000,000	10,000,000	100,000	0.6%
IFC	213,700,000	213,700,000	2,137,000	11.8%
Shelter Afrique	200,000,000	200,000,000	2,000,000	11.1%
Total	**2,388,700,000**	**1,808,375,125**	**18,083,751**	**100.0%**

Source: KMRC

** NIC Bank name changed to NCBA Bank following the merger of Commercial Bank of Africa Limited and NIC Group PLC*

There has been no significant change in the percentage ownership held by the major shareholders during the past two years.

Save as disclosed above, no person, directly or indirectly, is interested in 10% or more of the Issuer's capital.

To ensure that KMRC conducts its business independent of its controlling shareholders, all critical decisions are presented to the Board of Directors for approval. The majority of the Board of Directors are independent and non-executive.

13. FINANCIAL PERFORMANCE AND STATUTORY RATIOS

As of 31st December 2020, KMRC reported a profit after tax of KES 77.2 million and an increase in Interest income of 75.9% which is currently the main revenue stream for KMRC. KMRC's Revenue Reserves increased by 29.2% from KES 264.5 million in December 2019 to KES 341.7 million in December 2020.

The Issuer received financing from The Government of Kenya in 2020 to be utilized as a line credit for providing the mortgage refinancing to eligible financial institutions. The Government charges interest on the principal amount of the facility at a simple interest rate of 4.5% per annum.

KMRC successfully concluded a capital mobilization drive which resulted in the Government of Kenya, 8 commercial banks, 1 microfinance bank, eleven SACCOs and a development finance institution (IFC) injecting equity funds. In addition, another development finance institution, Shelter Afrique, is in the final stages of investing equity in the Issuer, having disbursed their equity contribution, pending allotment after successful vetting by the regulator CBK.

KMRC has complied with the minimum statutory ratios over the past two years of operation.

13.1 Statement of Comprehensive Income

Table 13: Statement of Comprehensive Income

KES	2019	2020	Sept 2021
Revenue			
Interest Income	125,664,018	221,094,696	466,931,668
Other Operating Income -Grant from National Treasury	200,000,000	-	-
Total Revenue	**325,664,018**	**221,094,696**	**466,931,668**
Expense			
Interest Expense	-	(25,389,655)	(173,091,710)
Administration and operating	(32,200,892)	(78,141,996)	(88,670,380)
Depreciation and Amortization	(202,901)	(15,948,044)	(16,682,350)
Total Expenses	**(32,403,793)**	**(119,479,695)**	**(278,444,440)**
Profit Before Tax	**293,260,225**	**101,615,001**	**188,487,228**
Income Tax	(28,789,041)	(24,397,662)	(81,410,729)
Total Comprehensive Income	**264,471,184**	**77,217,339**	**107,076,500**
Earnings Per Share	**4.99**	**5.98**	**5.92**

Source: KMRC Audited Financial Statements for FY 2019 and FY 2020 and Unaudited Financial Statements as of September 2021

13.2 Statement of Financial Position

Table 14: Statement of Financial Position

KES	2019	2020	Sept 2021
ASSETS			
Loans to PMLs	-	-	597,722,387
Property and equipment	5,129,843	55,756,316	56,060,578
Intangible assets	-	6,403,265	5,624,507
Right-of-use assets	-	40,518,568	32,414,854
Other receivables	497,926	142,113,344	115,799,573
Cash and Cash equivalents	2,269,227,540	6,062,907,771	8,784,802,809
Deferred tax asset	-	2,102,827	1,328,204
TOTAL ASSETS	**2,274,855,309**	**6,309,802,091**	**9,593,752,912**
LIABILITIES AND EQUITY			
Liabilities			
Borrowings	-	3,725,173,478	6,697,807,036
Lease Liabilities	-	46,172,905	39,110,295
Deferred tax liability	956,758	-	-
Trade and other payables	25,444,686	14,110,827	13,090,015
Tax payable	8,982,681	7,656,358	6,280,543
Total Liabilities	**35,384,125**	**3,793,113,568**	**6,756,287,889**
Capital Resources			
Share Capital	1,291,000,100	1,291,000,100	1,808,375,125
Contribution pending allotment	683,999,900	883,999,900	580,324,875
Revenue reserves	264,471,184	341,688,523	448,765,023
Total Equity	**2,239,471,184**	**2,516,688,523**	**2,837,465,023**
TOTAL LIABILITIES AND EQUITY	**2,274,855,309**	**6,309,802,091**	**9,593,752,912**

Source: KMRC Audited Financial Statements for FY 2019 and FY 2020 and Unaudited Financial Statements as of September 2021

On December 17th, 2020 KMRC approved loans for disbursement (pending security perfection) of KES 2.75 billion to participating primary mortgage lenders. As of 30th September 2021, KMRC had disbursed to 3 PMLs and the outstanding loan amounts was KES 597.7 million.

KMRC's outstanding borrowings increased by 79.8% (KES 2.973 billion) as of 30th September 2021 as a result of obtaining credit from the World Bank Credit line.

13.3 Prudential Ratios

Table 15: Prudential Ratios

KES	2019	2020
Total Capital/Total risk weighted assets	**345.1%**	**140.2%**
Minimum Statutory Ratio	14.5%	14.5%
Excess/Deficiency	**330.6%**	**125.7%**

Source: KMRC Audited Financial Statements

14. RISK FACTORS

Factors which may be material for the purpose of assessing the market risks associated with an investment in KMRC are described in the following section. The factors described represent the principal risks inherent in investing in the Issuer. Potential investors should also read the detailed information set out elsewhere in this Information Memorandum (including any documents available for inspection) and reach their own views prior to making any investment decision.

14.1 Reputation Risk

Reputational risk is the potential that negative stakeholder impressions or perceptions, whether true or not, regarding the KMRC's business practices, actions or inactions, will or may cause a decline in its value, brand, liquidity or customer base. The Issuer's nature of business, services and activities, including new ones, guarantee the company's reputation is always maintained or enhanced.

Ultimate responsibility for this risk rests with the Board of Directors and Senior Management who ensure that all products, services, and activities meet the KMRC's reputational risk objectives in line with the Board of Director's approved appetite. Furthermore, all employees and representatives of the company have a responsibility to contribute in a positive way towards the company's reputation. This is done through ensuring ethical practices are always adhered to, interactions with all stakeholders are positive, and ensuring compliance with applicable policies, legislation, and regulations.

14.2 Regulatory Risk

Regulatory risk is the risk of non-compliance with regulatory guidelines. Regulatory risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practice, or ethical standards issued by the regulator from time to time.
KMRC will manage this risk by ensuring that compliance is the responsibility of all executives and is embedded in the processes and procedures of conducting the Issuer's business.

14.3 Strategic Risk

Strategic risk are risks that affect or are created by a company's business strategy and strategic objectives.
For KMRC, this could include:

- Size and growth of the mortgage market; and
- Level of PML participation.

Strategic risk is managed by the board of KMRC who are responsible for setting up the company's strategic goals while keeping oversight through the board risk committee.

14.4 Operational Risk

Operational risks is the potential loss resulting from an organization's ability to execute its strategic plan. This included losses emanating from:

- Internal fraud;
- External fraud;
- Employee practices and workplace safety;
- Clients, products and business practices;
- Damage to physical assets;
- Business disruptions and system failure; and
- Execution, delivery and process management.

In assessing operational risk, KMRC will conduct an internal assessment and assign ratings (e.g. a 1-5 scale) for risk likelihood and approximate impacts (e.g. KES 10-50 million loss or non-financial measures of severity). The assessment should then recommend a mitigation plan.

14.5 Credit Risk

Credit Risk is the risk of suffering financial loss, should any of the Issuer's customers, clients or market counterparties fail to fulfill 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.

Credit risk is the single target risk for the Issuer's business; the directors therefore carefully manage the exposure to credit risk. The Issuer 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 Issuer 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 Issuer 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.

KMRC mitigates this risk through the following measures:

- Supervision of PMLs and eligibility criteria set up by KMRC requiring PMLs to meet the prudential requirements set up by CBK
- In order to diversify its exposure, KMRC has set up a ceiling for the maximum business that it will conduct with each PML. The company will periodically adjust these standards and adjust the ceiling accordingly;
- PMLs are required to pledge housing assets as collateral at over collateralized levels by 10-20% in comparison to the value of the KMRC loan;
- PMLs are required to ensure that the loans pledged remain performing over the life of the KMRC facility and that the value of the pledged loans remain at satisfactory levels. This may entail adjustments such as removal and replacement of non-performing loans with performing loans; and
- In the event of a default by a PML, KMRC will have the right to liquidate the mortgage collateral to satisfy its loan obligations. In case of a PML bankruptcy, KMRC can transfer servicing of the collateral to another PML.

14.6 Supply side Risk

Currently, there is an undersupply of affordable housing in Kenya leading to a lower demand for mortgages and housing loans needed to finance the purchase of houses because of high prices of the houses available in the market which mostly cater for high income earners. The government, through the Big 4 Agenda, has plans to facilitate the building of 500,000 affordable housing units. This shall increase the demand for loans for purchasing the affordable houses. Banks and SACCOs would then advance more mortgages and loans to people which will be used as collateral to access finance from KMRC.

14.7 Liquidity Risk

The Issuer is exposed to the risk that it will encounter difficulty in raising funds to meet commitments associated with customer requirements. The Issuer'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.

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

The Issuer also has plans to raise additional funding from the capital market through issuance of bonds.

14.8 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.

14.8.1 Currency Risk

The Issuer 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.

14.8.2 Interest Rate Risk

The Issuer is exposed to cash flow interest rate risk resulting from changes in market interest rates on its simple rate borrowings which shall not be lower than the interest rate charged by the World Bank to the Government. The Issuer manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs.

14.8.3 Other Price Risk

Other price risk arises on financial instruments because of changes in the price of a financial instrument. The Issuer is not exposed to other price risk because it currently does not have investments in equity instruments such as quoted shares.

14.9 Risk factors related to the Issue

14.9.1 Risks relating to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Prospective investors of Notes should be aware that the range of Notes that may be issued under the Programme is such that any particular Series of Notes may have additional risks associated with it. Investment in the Notes may involve complex risks related to factors which include equity market risks and may include interest rate and political risks.

14.9.2 The Notes may not be a suitable investment for all investors

Each potential investor must determine the suitability of investing in the Notes in light of its own circumstances. In particular each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any supplemental Information Memorandum.
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the Conditions of the Notes and the Note Documents and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some forms of notes are complex financial instruments. A potential investor should not invest in notes which are complex financial instruments without consulting a financial advisor who will evaluate how such notes will perform under changing conditions, the resulting effects on the value of such notes and the impact this investment will have on the potential investor's overall investment portfolio.

14.9.3 The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes in the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes.

In particular the markets for emerging market securities, such as Kenya, may be volatile and are to varying degrees, influenced by economic securities' market conditions in other emerging market countries which may not be in the same geographic region as Kenya. Although economic conditions are different in each country, investor reactions to the developments in one country may affect securities of issuers in other countries, including Kenya. Accordingly, the market price of the Notes may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Issuer.

14.9.4 The corporate bond secondary market for unlisted issues in Kenya may not be very liquid

The Kenyan corporate bond market is not very active with very few trades conducted on the market each day, especially for unlisted issues. Very few of the corporate bonds have traded, making the actual pricing of bonds not as objective as it would be in an active developed market. If the unlisted Notes are traded after their initial issuance, they may trade at a discount to their initial offering prices, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Kenya and the Issuer.

If the market does develop it will initially not be very liquid therefore investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of the Notes.

14.9.5 Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, revised or withdrawn by the assigning rating agency at any time. Credit ratings assigned to Notes do not necessarily mean that the Notes are suitable investment. Similar ratings do not address the marketability of any Notes or any market price. Any change in the credit ratings of Notes, or the Issuer, could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

14.9.6 Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

14.9.7 Fluctuations in interest rates

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

14.9.8 Change of law

The Conditions of the Notes are based on Kenyan law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Kenyan law or administrative practice after the date of this Information Memorandum.

15. TAXATION

15.1 Tax Considerations

This Information Memorandum has been approved by the Board of Directors of Kenya Mortgage Refinance Company PLC who hereby declare that to the best of their knowledge, the information contained in this Information Memorandum relating to the company's financial position, operations and future prospects is true and fair and that in the event that the said information changes, based on the prevailing circumstances of the company, a supplemental disclosure document shall be submitted to the Authority for approval.

15.1.1 Interest Payments

Payment of interest on the Bonds will be made by the Issuer and Paying Agent and Registrar in Kenya. Withholding tax at the rate of 15% will be deducted from interest payments made to both resident and non-resident Noteholders in terms of prevailing legislation as set out in the Income Tax Act (Chapter 470 of the Laws of Kenya) which is subject to revision through changes in Government policy. The Issuer will not deduct withholding tax at the prescribed rate on interest payments to any Noteholder who (a) is exempt from such deduction under the provisions of the Income Tax Act or under any other relevant law and (b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer and the Paying Agent. Non-residents may be entitled to a tax credit in their country of residence, either under domestic law or under the tax treaties referred to below.

15.1.2 Stamp Duty

No stamp duty is payable in Kenya on the issue, transfer or redemption of the Notes so long as the Notes are listed and transacted on the Nairobi Securities Exchange.

15.1.3 Tax Treaties

As of the date of this Information Memorandum, Kenya has entered into double taxation treaties with Canada, Denmark, France, Germany, India, Iran, United Arab Emirates, Qatar, South Korea, Norway, South Africa, Sweden, the United Kingdom and Zambia all of which are in force. Treaties with Italy, Portugal, Singapore, China, Kuwait, Mauritius, Netherlands, Seychelles and the East African (EAC) States have been signed but are not yet in force. A treaty between the countries of the East African Community (Burundi, Kenya, Rwanda, Uganda and Tanzania) has been ratified by Kenya and Rwanda only. It will not come into force until ratified by the other countries. A person may only take advantage of these treaties where 50% or more of the underlying ownership of the person is held by individual(s) who are residents of the other contracting state or the person is listed on a stock exchange in that other contracting state.

16. SUBSCRIPTION AND SALE

16.1 Application Procedure

Application forms for issues of Notes may be obtained from the Lead Arrangers or accessed electronically via the following URL: https://kmrc.candrgroup.co.ke. Applications can be submitted directly to the Placing Agent or done online by the date and time specified in this Information Memorandum. Successful applicants will be notified either by the Placing Agent on behalf of the Issuer and the Lead Arrangers, or by the Lead Arrangers on behalf of the Issuer, of the amount of Notes allotted to them immediately after the date of allotment.

16.2 Payment for Notes and Delivery

Payment for Notes is to be made in full to by Kenya Mortgage Refinance Company PLC, the designated Receiving Bank, in immediately available funds by the date and time specified in the relevant Pricing Supplement. The payments will be made via the Real Time Gross Settlement ("RTGS") system to the account and in the manner detailed in the relevant Pricing Supplement.

The Notes will be delivered to investors not later than by the date specified in the relevant Pricing Supplement.

16.3 Secondary Market Trading of the Notes

The transfer of a Note from a seller to a purchaser will be carried out in accordance with the transfer regulations set out in the Agency Agreement and subject to the rules of the NSE.

16.4 Selling Restrictions

General: No action has been or will be taken in any jurisdiction by the Arranger and Placing Agent that would permit a public offering of the Notes, or possession or distribution of the Information Memorandum (in preliminary or final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Placing Agents will comply with all applicable laws and regulations in each jurisdiction in which they acquire, offer, sell or deliver Notes or have in their possession or distribute the Information Memorandum (in preliminary or final form) or any such other material, in all cases at their own expense. They will also ensure that no obligations are imposed on the Issuer or the Placing Agents in any such jurisdiction as a result of any of the foregoing actions. The Issuer and the Placing Agents will have no responsibility for, and the Placing Agents will obtain, any consent, approval or permission required by them for, the acquisition, offer or sale by them of Notes under the laws and regulations in force in any jurisdiction to which they are subject or in or from which they make any acquisition, offer, sale or delivery. The Placing Agents are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained in the Information Memorandum (in final form) or any amendment or supplement to it.

United States: The Notes have not been and will not be registered under the U.S. Securities Act, 1933 as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("Regulation S") or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. The Placing Agents have represented and agreed that, except as permitted by the Placing Agreement, they have only offered and sold Notes, and will only offer and sell Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (as defined in the Placing Agreement), only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither they, their affiliates, nor any persons acting on their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and they have complied and will comply with the offering restrictions requirement of Regulations. The Placing Agents agree that, at or prior to confirmation of sale of Notes, they will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the restricted period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (as defined in the Placing Agreement), except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

EUROPEAN ECONOMIC AREA ("EEA"): PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (As amended or superseded, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "Prospectus Directive"). Consequently, no key information document by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

United Kingdom:

a) The Placing Agents have complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and .

b) The Placing Agents have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitations or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

South Africa: The Placing Agents (i) will not offer the Notes for subscription, (ii) will not solicit any offers for subscription for or sale of the Notes, and (iii) will themselves not sell or offer the Notes in South Africa in contravention of the South African Companies Act, 2008, the South African Banks Act, 1990, the South African Exchange Control Regulations, 1961 and/or any other applicable laws and regulations in South Africa in force from time to time.

Prior to the issue of any tranche of Notes, the Placing Agents who have agreed to place that tranche of Notes will be required to represent and agree that they will not make an "Offer To The Public" (as such expression is defined in the South African Companies Act, 2008 and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa.

17. STATUTORY AND GENERAL INFORMATION

17.1 Principal objects (as contained in the Articles of Association)

The main objects of the Issuer are set out in clause 3 of its Articles of Association as follows:

- Refinancing of eligible mortgage loans;
- Investment in debt obligations issued or guaranteed by the Government of Kenya or any of its agencies, but so that such investment shall not be less than fifty per cent (50%) of the Issuer's total investments;
- Issuing guarantee for mortgage loans as part of its off-balance sheet engagements;
- Extending finance to financial institutions for onward housing finance to mortgagor;
- Issuing bonds, notes and other financial instruments to fund its refinance/purchase of eligible mortgages; and
- Other activities as may be prescribed by the Central Bank of Kenya from time to time and to do all such other things as are incidental or conducive to the attainment of the above objects.

17.2 Provisions of the Articles of Association

The Board is empowered to exercise all the borrowing powers of the Issuer in Article 29 of its Articles of Association as follows:

29. The directors may exercise all the powers of the Company to borrow money or otherwise raise money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

Below are other key provisions of its Articles of Association:

9 (1). Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall be at least five (5) and not more than seven (7).

9 (2). The Board of Directors shall be constituted as follows:

(a) One (1) director appointed by the National Treasury;
(b) One (1) director appointed jointly by SACCOs who have a shareholding in the Company;
(c) One (1) director appointed by International Finance Corporation (IFC) and the participating development finance institutions for as long as they have a shareholding in the Company (the " Joint DFI Shareholder Nominee Director"). The Joint DFI Shareholder Nominee Director shall be appointed on a rotational basis by IFC and the DFI Shareholders provided that whilst the DFI Shareholder may have nominated the Joint DFI Nominee Director to the Board, the relevant IFC Nominee Directorship policies and procedures will be observed by the Joint DFI Nominee Director at all times.
(d) Two (2) directors appointed by banks and microfinance banks holding individually at least twenty percent (20%) shareholding in the Company. In the event that more than two shareholders qualify to make such appointments, the two directors shall be jointly appointed by the qualifying shareholders;
(e) Two (2) independent directors.

9 (3). The Company shall have at least two thirds of its board members as being Non-Executive Directors.

10 (1). The business of the Company shall be managed by the Directors who may pay all expenses incurred in promoting and registering the Company and may exercise all such powers of the Company as are not, by the Act or by these articles, required to be exercised by the Company in general meeting, and the exercise of the said

powers shall be subject also to the control and regulation of any general meeting of the Company.

12 (1). Subject to these articles, the directors may, if they consider appropriate, delegate any of the powers that are conferred on them under these articles:

(a) to any person or committee established in accordance with these articles;
(b) by any means (including by power of attorney);
(c) to any extent and without territorial limit;
(d) in relation to any matter; and
(e) on any terms and conditions.

13 (1). The Directors shall constitute and maintain the committees required under the Central Bank of Kenya (Mortgage Refinance Companies) Regulations 2019 and any other committees as may be deemed relevant by the board to assist the board in properly discharging its duties and responsibilities and to effectively execute its decision-making process and mandate as provided under these articles, the Act and any other applicable law. Each committee shall be chaired by a Non-Executive Director. Without prejudice to the generality of the foregoing, the directors shall establish at least the following committees:

(a) Audit committee;
(b) Credit and risk committee; and
(c) Finance, planning and human resources committee.

13 (2). The quorum for a meeting of a committee of the Board, duly convened and held, shall be at least two thirds of the Directors on that committee including a majority of Non-Executive Directors. In the absence of a valid quorum at a meeting of a committee of the Board, duly convened, the meeting shall be adjourned to the same time and place not earlier than ten (10) days but no later than twenty-one (21) days thereafter as the chairman of the committee may determine.

14. A decision of the directors can be taken only:

(1) at a directors' meeting convened and held in accordance with these articles; or
(2) as a written resolution.

16. At the beginning of each calendar year an annual schedule of meetings of Directors shall be agreed upon and shall be adhered to unless the Directors agree to vary the schedule. Provided that such schedule shall provide that the Directors shall endeavour to have not less than one (1) board meeting every three months in a Financial Year. In addition, any director may convene a Directors' meeting by giving notice of the meeting to the Directors or by authorizing the company secretary to give such notice.

The company secretary shall convene Directors' meetings in accordance with the schedule agreed upon by the Directors and, in the event of a meeting requested by a director in accordance with sub-article (1), if a director requests it.

A directors' meeting is convened by giving notice of the meeting to the directors. Unless otherwise agreed by all the Directors, not less than twenty-one (21) clear days' notice of all meetings of the board shall be given to Directors at such address as each shall have notified the Company as their address for the service of notices and shall be accompanied by an agenda of the business to be transacted at such meeting together with all papers to be circulated or presented at the meeting.

18. At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to

convene another meeting.
The quorum for directors' meetings shall be two thirds of the directors in office including a majority of Non-Executive Directors, present personally or through duly appointed alternates.

If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved and shall stand adjourned to the same time and place not earlier than ten (10) days but no later than twenty-one (21) days thereafter as the Chairman may determine. At the adjourned meeting, the quorum requirement shall be the same as aforementioned.

21. A decision is taken at a directors' meeting by a majority of the votes of the participating directors.

Subject to these articles, each director participating in a directors' meeting has one vote.

The Company shall not take the following decisions without the approval of at least seventy-five (75%) of the Directors of the Company, including a majority of Non-Executive Directors:

(a) entering into any agreement, arrangement or transaction with any Related Party (including persons holding material interests in the Company or any subsidiary, Affiliates of the Company or any subsidiary directors, officers or members of the families), other than (i) mortgage refinancing agreements in the normal course of business and on an arm's-length basis and (ii) non-material agreements having a term of less than one (1) year that are negotiated on an arm's-length basis in the ordinary course of business with member banks or as contemplated by the Business Plan;
(b) removing or replacing the Auditors or changing the Financial Year of the Company;
(c) approving or amending the Business Plan of the Company;
(d) authorizing or undertaking any arrangement for the disposal (including but not limited to any sale, exchange or lease) of, whether in one or a series of transactions: (i) more than twenty percent (20%) of the fair market value of the assets of the Company; or (iii) any shares of any Subsidiary that results in a change of control in any subsidiary;
(e) entering into any obligation outside of the normal course of business in excess of twenty per cent (20%) of total capital in the aggregate in any Financial Year;
(f) entering into any commitments for acquisitions of other entities (whether by the acquisition of shares, assets, or otherwise) for a consideration in excess of twenty per cent (20%) of total capital in the aggregate in any Financial Year;
(g) entering into any commitments for capital investments in excess of twenty per cent (20%) of total capital in the aggregate in any Financial Year;
(h) incurring Financial Debt which involves the payment by it, in cash or otherwise, of amounts in excess of Five Hundred Thousand Dollars ($500,000) (or the equivalent in any other currency) in the aggregate in any Financial Year; and
(i) directly or indirectly declaring, authorizing or paying any Distribution in relation to any equity securities of the Company; or creating any subsidiary or entering into any joint venture or partnership.

29. The directors may exercise all the powers of the Company to borrow money or otherwise raise money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

40. The directors shall:

(a) from time to time appoint a Chief Executive for a period and on terms they consider appropriate; and

(b) subject to the terms of an agreement entered into in any particular case, revoke the appointment.
The Chief Executive shall, for as long as he holds that position, be deemed to be a Director. The Chief Executive shall, however, not be deemed to count in considering the number of directors.

44. The directors shall appoint a company secretary for such term, at such remuneration and on such other conditions they may determine.

45 (1). (Subject to Division 5 of Part XII of the Act, the Company shall, in respect of each financial year of the Company, hold a general meeting as its annual general meeting in accordance with section 310 of the Act (Public companies: annual general meeting).

45 (2). The directors may, if they consider appropriate, convene a general meeting.

45 (3). If the directors are required to convene a general meeting under section 277 of the Act (Right of members to require directors to convene general meeting), they shall convene it in accordance with section 278 of the Act (Director's duty to convene general meetings required by members).

45 (4). If the directors do not convene a general meeting in accordance with section 278 of the Act, the members who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting in accordance with section 279 of the Act (Power of members to convene general meeting at the expense of the Company).

46 (1). The directors may convene an annual general meeting only by giving members at least 21 days' notice of the meeting.

46 (2). The directors may convene a general meeting other than an annual general meeting only by giving members at least 21 days' notice of the meeting.

46 (6). Despite the fact that a general meeting is convened by shorter notice than that specified in this article, it is regarded as having been duly convened if it is so agreed:

(a) for an annual general meeting, by all the members entitled to attend and vote at the meeting; and
(b) in any other case, by a majority in number of the members entitled to attend and vote at the meeting, being a majority together representing at least 95 per cent of the total voting rights at the meeting of all the members.

50 (1). Two members present in person or by proxy constitute a quorum at a general meeting.

50 (2). Business other than the appointment of the person presiding at the meeting may not be transacted at a general meeting if the persons attending it do not constitute a quorum.

54 (1). A resolution put to the vote of a general meeting is to be decided on a show of hands unless a poll is duly demanded in accordance with these articles.

17.3 Authorised and Issued Share capital

The authorised share capital of the Company is Kenya Shillings Five Billion (KES 5,000,000,000.00) divided into Fifty Million (50,000,000) ordinary shares of Kenya Shillings One Hundred (KES 100.00) each.

The issued share capital of the Company is Kenya Shillings One Billion Eight Hundred and Eight Million Three

Hundred and Seventy Five Thousand One Hundred (KES 1,808,375,100.00) made up of Eighteen Million and Eighty-Three Thousand Seven Hundred and Fifty One (18,083,751) ordinary shares of Kenya Shillings One Hundred (KES 100.00) each.

17.4 Material Agreements (material contracts to which Kenya Mortgage Refinance Company is a party)

Master Servicing and Refinancing Agreements:

The Company has entered into Mortgage Servicing and Refinancing Agreements with the following of its shareholders:

- KCB Bank Kenya Limited
- Kenya Women Microfinance Bank PLC
- Diamond Trust Bank Kenya Limited
- Stanbic Bank Kenya Limited
- Tower Savings and Credit Co-operative Society Limited
- Credit Bank PLC
- Bingwa Savings and Credit Co-operative Society Limited
- The Co-operative Bank of Kenya Limited
- HFC Limited
- Barclays Bank of Kenya Limited (now ABSA Bank Kenya Plc)
- NIC Bank Kenya PLC
- Ukulima Co-operative Savings and Credit Society Limited
- Harambee Co-operative Savings and Credit Society Limited
- Mwalimu Co-operative Savings and Credit Society Limited
- Imarisha Savings and Credit Cooperative Society Limited
- Imarika Savings and Credit Co-operative Society Limited
- Kenya Police Savings and Credit Cooperative Society Limited
- Unaitas Savings and Credit Co-operative Society Limited
- Stima Savings and Credit Co-operative Society Limited
- Safaricom Savings and Credit Co-operative Society Limited

The Mortgage Servicing and Refinance Agreements are in a standard form and are available for inspection at the Issuer's office premises.

Pursuant to the Mortgage Servicing and Refinancing Agreement, the Issue has so far extended a loan of Kes 514,573,818.00 HFC Limited against the assignment of receivables in accordance with the Assignment (By way of security) dated 30th March 2021 between the Issuer and HFC Limited and lien on the amounts standing to the credit of the Collection Account in accordance with the Lien Security and Control Agreement dated 30th March 2021 and HFC Limited.

Policy Agreement between Kenya Mortgage Refinance Company Plc and International Finance Corporation dated 7th April, 2020

The Agreement was entered into as a condition to the Subscription Agreement between the parties. The Issuer is required to adhere to certain operational requirements for its transactions adopted by IFC. The Agreement sets out IFC consent rights including authorizing or undertaking any Listing, any Public Offering or any delisting of any Equity Securities of the Company. This agreement will continue to apply for as long as IFC has any equity or debt securities in the Issuer.

It also provides for the following reporting and policy covenants:

Reporting Covenants: The Issuer shall inform IFC on any of the following occurring:

- Any dispute or investigations which may have a material adverse effect on the Issuer
- Any criminal proceedings against the Issuer;
- Any social, labour, health and safety, security and environment incident or accident which may have a material adverse social or environmental impact;
- Publicly disclose all royalty and similar payments made and the terms of government and other similar agreements.
- The Issuer shall permit IFC to visit and inspect any of its sites and premises, and have access to the books of account, records and employees and agents of the Issuer.

Policy Covenants: The Issuer shall not:

- Engage in any IFC sanctionable practices as detailed in the agreement and shall notify the Issuer should it become aware of any breach;
- Provide loans to any customer/client engaged in any of the activities in IFC exclusion list;
- Use any of the proceeds in countries that are not members of the World Bank or for good or services emanating from such country;
- Not enter into any transaction with individuals or entities or activities listed by the United Nations Security Council or its committees pursuant to any resolution under Chapter VII of the United Nations Charter;
- No transact with or through any shell bank as defined in the agreement.

The issuer shall:

- Require any of its customers/clients who has undertaken any operations in breach of any applicable law to undertake corrective measures;
- Institute, maintain and comply with internal policies, procedures and controls for AML/CFT consistent with Its business and customer profile, in compliance with national laws and regulations, and in furtherance of applicable international AML/CFT best practices;
- Maintain certain insurance coverages for its business and assets as provided in the agreement;
- Undertake its business, activities and investments in compliance with applicable law.

Other Material Contracts

Save for the documents in relation to the creation of the Notes, the Issuer had not entered into any other material contracts not disclosed in this Information Memorandum other than contracts entered into in the ordinary course of business].

17.5 Related Party Agreements

In addition to the Master Servicing and Refinancing Agreements set out above, the Issuer has entered into an agreement with HFC Limited for the provision of funded staff housing mortgage scheme. Pursuant to this Agreement, HFC Limited operates a Housing Mortgage Scheme for the Issuer's staff members at a mutually agreed rate of interest.

17.6 Loan/Finance Agreements

Subordinated Loan Agreement between the Government of the Republic of Kenya and Kenya Mortgage Refinance Company Plc dated 26th February 2020

The Agreement is entered pursuant to the Loan Agreement between the Government of Kenya and the

International Bank for Reconstruction and Development for a line of credit for an amount of Euros 219,000,000 (**Loan Agreement**) to undertake a project consisting of the support for establishment, capitalisation and operationalisation of the Company; provision of financing by the Government to the Company to be utilised as a credit line for providing the mortgage refinancing to the eligible participating financial institutions and technical assistance. Below is a summary of the terms of the Agreement:

Loan Amount	KES 3,958,458,000 (equivalent to Euros 35,000,000)
Purpose	To improve the Company's balance sheet by increasing the amount of long-term subordinated debt. The funds are to be invested in government securities and use the interest income to fund its operations. The use of the funds from the Subordinated Debt are restricted as follows: ▪ The funds shall not be used for refinancing mortgages ▪ The funds shall be used to invest in government securities; and ▪ Any interest accruing thereon shall be used to fund the Company's operations.
Terms of the Loan	▪ The loan shall be subordinated and rank lower than the interest of any existing or future senior or secured lenders of the Company; ▪ It shall rank at least *pari passu* with all other existing or future subordinated debt that the Company may from time to time have ; and ▪ It shall rank higher than and have priority over the existing or future interests of the ordinary shareholders of the Company.
Interest Rate	Simple interest of 4.5% p.a. payable semi-annually on the 30th day of March and on the 30th day of September each year.
Duration	20 years
Repayment	40 equal consecutive semi-annual instalments
Security	N/A

Subsidiary Loan Agreement between the Government of the Republic of Kenya (Government) and the Kenya Mortgage Refinance Company Plc (Company) dated 26 February 2020

Subsidiary Loan Amount	KES. 18,819,640,320 (equivalent to Euros. 166,400,000)
Purpose	Providing secure, long-term funding to Primary Mortgage Lenders for purposes of mortgage refinance to expand access of affordable housing finance to Targeted Beneficiaries. The use of funds are restricted as follows: ▪ The funds shall be extended only to eligible participating financial institutions ▪ The funds shall be used to refinance Qualifying Mortgage Loans ▪ At least 80% of the funds shall be used for Affordable Housing Loans ▪ No more than 20% shall be used for Market Housing Loans
Interest Rate	Simple interest of 4.5% p.a. payable semi-annually on the 30th day of March and on the 30th day of September each year.
Duration	20 years
Repayment	40 equal consecutive semi-annual instalments on the 30th day of March and 30th day of September each year commencing on the 30th day of March 2024 and ending 30th day of September 2043
Security	N/A

Project Agreement (Affordable Housing Finance Project) between the International Bank for Reconstruction and Development (the Bank) and Kenya Mortgage Refinance Company (the Company)

The Agreement sets out the Company's implementation arrangements in respect of the Affordable Housing Finance Project. Under the Agreement, the Company shall:

- Ensure that a team within KMRC shall be maintained throughout the period of implementation of the Project and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Bank.
- Carry out its respective part of the Project in accordance with the Project Operations Manuals.
- Exercise its rights under the Subsidiary Agreement in such a manner so as to protect its own interest and the interests of the Government of the Republic of Kenya and the Bank in order to accomplish the purposes of the loan. The Company shall not assign, amend, abrogate or waive the Subsidiary Agreement without prior written approval of the Bank

17.7 Licenses and Permits

The Issuer has been issued with License No. BSD/15/V1/2020 to conduct mortgage refinance business in Kenya. The license shall remain valid unless suspended or revoked by the CBK. There are no conditions attached to the license. The Issuer has also procured a business permit from the Nairobi City County for the operation of its business and all other relevant licenses, permits and registrations required to operate its business.

17.8 Material Litigation and Disputes

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have or have had in the recent past a significant effect on the Issuer's financial position.

17.9 Property and information on Vendors on materials assets acquired in the last three years

The Company does not own any immovable property. The Issuer has entered into a lease for a term of six (6) years from 1st December 2019 with UAP Holdings Limited in respect of the office space on the 27th Floor of UAP Old Mutual Tower erected on Land Reference Number 209/19560.

17.10 Expenses of the Offer

The expenses of the offer and the listing which will be for the account of the Issuer are set out below in KES:

Professional fees and related costs	KES
Lead Arrangers / Financial Advisor Fees	48,750,000
Registrar and Fiscal Agent Fees	754,000
Legal Fees	-
Reporting Accountant & Auditor's Fees	1,352,560
Note Trustee Fees	580,000
Marketing Expenses	2,200,000
CMA	10,500,000 [7]
NSE	1,312,500[8]

7 The CMA approval fees indicated above assumes the issue and Listing of the entire Programme. The fee payable would be paid in tranches at the rate of 0.1% of the total amount listed for each Tranche of the Notes listed on the NSE

8The NSE fee indicated above assumes the issue and Listing of the entire Programme. The fee payable would be paid in tranches at the rate of 0.0125% of the total amount listed for each Tranche of the Notes listed on the NSE.

17.11 Directors' declaration

The Directors of Kenya Mortgage Refinance Company PLC whose names appear on section 12.1 of this Information Memorandum accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with facts and does not omit anything likely to affect the import of such information.

17.12 Directors statement as to funding for payment obligations

The funding obligations will be met by cash flows and profitability from the operations of the Issuer's business.

17.13 Directors statement as to liquidity requirement

The Directors of the Issuer confirm that as at the date of this Information Memorandum, the Issuer is in compliance with the liquidity ratios required under the Central Bank of Kenya (Mortgage Refinance Companies) Regulations, 2019.

17.14 General Information

17.14.1 Documents Available for Inspection

As long as any Note remains outstanding, copies of the following documents will, when published, be available for inspection at the Specified Offices of the Issuer:

i. The Memorandum and Articles of Association of the Issuer;
ii. The audited financial statements of the Company in respect of the past two financial years;
iii. Extract from the minutes of the Board meeting held on 30th September 2021 approving the Issue;
iv. The Reporting Accountants' report as reproduced in this Information Memorandum and their written consent to the issue of this Information Memorandum with their report included herein in the form and context in which it is so included;
v. The legal opinion of Legal Counsel to the Note Trustee as reproduced in this Information Memorandum and their written consent to the issue of this Information Memorandum with their opinion included herein in the form and context in which it is so included;
vi. Project Agreement;
vii. Subsidiary Loan Agreement;
viii. Subordinated Debt Agreement;
ix. Copies of the Master Servicing and Refinancing Agreements;
x. A copy of the Trust Deed between the Note Trustee and the Issuer;
xi. A copy of the Agency Agreement between the Paying Agent, the Calculation Agent, the Transfer and Replacement Agent, the Registrar and the Issuer;
xii. A copy of the Issue Agreement between the Placing Agents and the Issuer;
xiii. A copy of this Information Memorandum;
xiv. Copies of the signed declarations from the External Auditor's, Note Trustee, Finance Manager, Internal Auditors, Receiving Bank and Director & Company Secretary;
xv. A copy of the approval of the Capital Markets Authority in respect of this issue;
xvi. A copy of a letter of no objection from the Nairobi Securities Exchange; and
xvii. A copy of a letter of "no objection" from the Central Bank of Kenya, in respect of this Issue.

Copies of this Information Memorandum and copies of the Trust Deed, Agency Agreement and the Issue Agreement have been submitted to the Capital Markets Authority and the Nairobi Securities Exchange.

17.14.2 Changes in Senior Management

The Company is in the process of recruiting the Head of Internal Audit. There are no other planned or expected changes in the Bank's senior management during the twenty four months following this Issue.

17.14.3 Voting Rights and Control

All shareholders have equal voting rights and no preferential voting rights attach to any shares. The Issuer has a diverse shareholder base and is not directly or indirectly owned or controlled by any shareholder. However, IFC's consent is required for the Company to take any material decisions including:

(a) Amendment or repeal of the Company's Articles of Association in any material manner;
(b) The creation, authorization or issue of any Equity Securities in the Company or incurring any debt to any shareholder of the Company;
(c) Changing the primary nature of the business of the Company;
(d) Authorizing or undertaking any listing, any public offering or any delisting of any Equity Securities of the Company.

As at the date of this Information Memorandum, there are no arrangements known to the Issuer the operation of which may result in change of control of the Issuer.

17.14.4 Directors' Interest

As at the date of this Information Memorandum, no Director directly owns shares or any other interest in the Company.

17.14.5 Minimum Subscription Level

The Issuer seeks to raise a maximum of KES 10.5 billion under this Programme. The minimum subscription level shall be set out in the relevant Pricing Supplement.

17.14.6 Application Procedure

Application forms for issues of Notes may be obtained from the Issuer and the Arranger. Applications must be submitted directly to the Fiscal Agent. Successful applicants will be notified either by the Fiscal Agent on behalf of the Issuer and the Arranger, or by the Arranger on behalf of the Issuer, of the amount of Notes allotted to them immediately after the date of allotment.

17.14.7 Secondary Market Trading of the Notes

Fiscal Agents, acting as principal or agent of the Issuer, may facilitate market trading of the Notes through purchases and/or sales of such Notes on a best effort basis. The transfer of a Note from a seller to a purchaser will be carried out in accordance with the transfer regulations set out in the Agency Agreement and subject to the Terms and Conditions.

17.14.8 Material Changes in the business

There have been no interruptions in the Issuer's business, which may have or have had during the recent past (covering at least the previous four months prior to the issuance of this Information Memorandum) a significant effect on the Company's financial position.

17.14.9 Material Change in the Financial Information

There has been no significant change in the financial or trading position of the Issuer which has occurred since the date of the last financial statements period.

17.14.10 Principal Investments

As at the date of this Information Memorandum, the Company does not intend to carry out principal investments in its infrastructure in the current financial period.

17.14.11 Dealing with Shareholders

As at the date of this Information Memorandum and during the past 3 years, the Issuer has not entered into arrangements under which funds are due to it from some of its significant shareholders.

17.14.12 Other Issues

The Issuer confirms that it has not made an issue in the preceding three months from the date of this Information Memorandum and does not propose to make another issue of similar debt securities simultaneously with the current issue.

Lex Chambers,
739 Maji Mazuri Road,
off James Gichuru Road,
Lavington,
P. O. Box 74041 – 00200,
Nairobi, Kenya.
Dropping Zone No. 214,
Revlon Professional Plaza.

mboya wangong'u & waiyaki

ADVOCATES
COMMISSIONERS FOR OATHS
NOTARIES PUBLIC
COMPANY SECRETARIES
PATENT & TRADEMARK AGENTS

Tel: +254 20 2160312/3
+254 20 3860183
+254 20 3860184
+254 714 611 954
+254 739 631 261
Fax: +254 20 2160312
advocate@lexgroupafrica.com
www.lexgroupafrica.com

APPENDICES

Appendix A: Legal Opinion

Date: January 12th, 2022

To:

The Directors
Kenya Mortgage Refinance Company Plc
27th Floor, UAP/Old Mutual Tower,
Upperhill Road, Upperhill
NAIROBI.

Ropat Trust Company Limited
Kenya Re Towers, Upperhill
Off Ragati Road
P.O. Box 1243-00100
Nairobi, Kenya

Re: Issue of up to Kenya Shillings Ten Billion Five Hundred Million Fixed Rate Senior Unsecured Medium Term Note Programme by Kenya Mortgage Refinance Company Plc

1. Introduction

We act as legal advisers to Kenya Mortgage Refinance Company Plc ("the Company") in relation to the proposed public issue and listing of Kenya Shillings Ten Billion Five Hundred Million Fixed Rate Senior Unsecured Medium Term Note Programme ("the Issue"). We are Advocates of the High Court of Kenya, practicing and qualified as such to practice in Kenya, and to advise upon the laws of Kenya.

This legal opinion ("**this Opinion**") is given in relation to the Issue.

We have acted as the Legal Advisors in the Issue and have issued this Opinion for inclusion in the Information Memorandum.

2. Preliminary matters

2.1 Unless (a) otherwise stated; or (b) the context otherwise requires, words and terms defined in the Information

Memorandum bear the same meanings in this Opinion.

2.2 This Opinion is limited to Kenyan Law as applied in the Courts of Kenya and as of the date of this Opinion and to matters of fact prevailing as of the date of this Opinion.

3. Assumptions and documents reviewed

3.1 For the purposes of this Opinion, we have made the following assumptions:

3.1.1 All information contained in the Information Memorandum and all information provided to us by the Company, and its officers and advisers is true, accurate and up to date.

3.1.2 The authenticity and completeness of all documents submitted to us as originals or copies, the genuineness of all signatures, the conformity to originals of all copies, and the accuracy of any translations.

3.1.3 Representations made to us by officers and agents of the Company are true in all material respects.

3.2 For the purposes of this Opinion, we have examined originals or copies certified to our satisfaction of the following documents:

3.2.1 Articles of Association in force as at the date of this Opinion.

3.2.2 The Company's annual returns for the last two years.

3.2.3 The Company's statutory books;

3.2.4 Documents filed by the Company with the Registrar of Companies;

3.2.5 Details of material contracts and disputes to which the Company is a party;

3.2.6 Audited accounts of the Company for the last two years;

3.2.7 Licenses from and correspondence with relevant regulatory authorities;

3.2.8 The Note Documents;

3.2.9 Such other records and documents as we have considered necessary or appropriate for the purposes of this Opinion in respect of the Company and its subsidiaries.

4. Opinion

Based upon and subject to (2) the foregoing; (3) the reservations set out below; and (4) to any matters not disclosed to us, we are of the opinion that:

4.1 Status of the Company

4.1.1 The Company is a public limited liability company, duly registered under the Companies Act (Cap 17 of 2015 Laws of Kenya) and bearing Registration Number PLC-LXSM9G.

4.1.2 The disclosure made in the Information Memorandum listing the shareholders of the Company is correct.

4.1.3 The registered office of the Company 27th Floor, UAP Old Mutual Tower P.O. Box 15494-00100, Nairobi. The register of members is kept by the Company Secretary at Lex Chambers, Maji Mazuri Road, Off James Gichuru Road, Lavington P.O. Box 74041-00200, Nairobi.

4.1.4 The Company has the power and authority to issue and list the Kenya Shillings Ten Billion Five Hundred Million Fixed Rate [Senior Unsecured] Note Programme having obtained the consent of the Board of Directors, the Capital Markets Authority and the Nairobi Securities Exchange.

4.1.5 The Company has, at the date hereof, a Board of Directors consisting of the following individuals:

- Dr. Haron Sirima
- Mr. Robert Kibaara

- Mr. Asman Khatolwa
- Ms. Susan Maira
- Ms. Sarah Bonaya
- Mr. Samuel Makome
- Mr. Johnstone Oltetia

4.1.6 The Company Secretary is Godwin Wangong'u of P. O. Box 74041 – 00200, Nairobi who is a registered Certified Public Secretary.

4.2 Licenses and Consents

All authorizations, approvals, consents, licenses, exemptions, filings or registrations of or with any governmental or public bodies or authorities of or in Kenya required in connection with the business of the Company and the issuance of the Note Programme have been obtained in proper form, and are in full force and effect.

4.3 Share Capital

4.3.1 The share capital of the Company is Kenya Shillings Five Billion (KES 5,000,000,000.00) divided into Fifty Million (50,000,000) ordinary shares of Kenya Shillings One Hundred (KES 100.00) each.

4.3.2 The issued share capital of the Company is Kenya Shillings One Billion Eight Hundred and Eight million Three Hundred and Seventy-Five Thousand One Hundred (KES 1,808,375,100.00) made up of Eighteen Million and Eighty-Three Thousand Seven Hundred and Fifty One (18,083,751) ordinary shares of Kenya Shillings One Hundred (KES 100.00) each.

4.3.3 The existing capital of the Company is in conformity with applicable laws and has received all necessary authorizations.

4.4 Ownership of Assets

The Company does not own any immovable property. The Company has entered into a lease for a term of six (6) years from 1st December 2019 with UAP Holdings Limited in respect of the office space on the 27th Floor of UAP Old Mutual Tower erected on Land Reference Number 209/19560.

4.5 Subsidiaries

The Company has no subsidiaries.

4.6 Material Litigation & Other Confirmations

4.6.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which may have or have had in the recent past a significant effect on the Company's financial position.

4.6.2 There is no material prosecution or criminal legal action in which the Company or any of its directors have been involved in the past twelve (12) months preceding the date of this Legal Opinion.

4.6.3 There is no petition under bankruptcy or insolvency in any jurisdiction pending or threatened against any of the Company's directors.

4.6.4 There are no criminal proceedings in which a director of the Company was convicted of fraud or any criminal offence, or be named subject of pending criminal proceeding, or any other similar offence or action either within or outside Kenya.

4.6.5 There is no director of the Company who has been the subject of any ruling of a court of competent jurisdiction or any governmental body, that permanently or temporarily prohibits such director from acting as a director or engaging in any type or business practice or activity.

4.7 Material Contracts

4.7.1 Save for contracts entered into in the ordinary course of business, the Company has not entered into any material contracts which are not disclosed in the Information Memorandum.

4.7.2 As at the date of this Information Memorandum, the Company is not in breach of any material contractual obligations except where disclosed in the Information Memorandum.

4.7.3 Excepting for contracts with advisers engaged by the Company for the Issue, there are no other contracts in respect to the Issue which have not been disclosed in the Information Memorandum.

4.8 Material Borrowings

4.8.1 The Company is party as a borrower to the following material borrowing contracts:

4.8.1.1 A Subsidiary Loan Agreement entered into between the National Treasury, Republic of Kenya and KMRC dated February 26, 2020 under which the National Treasury, Republic of Kenya agreed to lend to KMRC an amount of Kenya Shillings Eighteen Billion, Eight Hundred and Nineteen Million, Six Hundred Forty Thousand, Three Hundred and Twenty (KES.18,819,640,320).

4.8.1.2 A Subordinated Debt Agreement entered into between the National Treasury, Republic of Kenya and KMRC dated February 26, 2020 under which the National Treasury, Republic of Kenya agreed to lend to KMRC a further Kenya Shillings Three Billion, Nine Hundred and Fifty Eight Million, Four Hundred and Fifty Eight Thousand (KES.3,958,458,000).

Details of these borrowings are disclosed in the Information Memorandum.

4.8.2 The borrowing powers of the Company have not been exceeded.

4.9 Legality of Note Documents

4.9.1 The Company has been duly authorised to execute and deliver the Note Documents and their terms are valid and legally binding upon the Company, except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and the principles of equity.

4.9.2 The Note Trustee is duly incorporated in Kenya as a private company with limited liability with registration number C.125068 and has the legal power and capacity to act as trustees for the Noteholders.

4.9.3 The Notes, and the Note Documents are in proper legal form and are enforceable against the Company and do not contain provisions which are contrary to law or public policy in Kenya, or which would not for any reason be upheld by the Kenyan courts.

4.9.4 The choice of Kenyan law to govern the Note Documents would be recognised and upheld as a valid choice of law in any proceedings in arbitration or in the courts and tribunals of Kenya and applied by such courts and tribunals in proceedings in relation to the Note Documents as the governing law thereof.

5. Consent

We consent to the inclusion of our legal opinion in the Information Memorandum to be issued for the Issue in the form and context in which it appears. We confirm that we have given and as at the date of issue of the Information Memorandum have not withdrawn our consent to its issue and the inclusion of our legal opinion herein.

6. Reservations

6.1 We express no opinion as to any document other than the material documents expressly referred to above.

6.2 We express no opinion as to any law other than Kenyan law in force, and as interpreted, at the date of this Opinion.

6.3 We express no opinion as to any matter not stated herein.

7. Limitations

We offer no opinion in relation to:

7.1 The law of any other jurisdiction other than the Republic of Kenya;

7.2 Any changes in fact or law which may hereinafter occur;

7.3 Any representation or warranty made or given by the Company in the Documents to which it is a party save as expressly set out herein as to whether the Company will be able to perform its obligations under the Documents to which it is a party; or

7.4 The commerciality of the transactions envisaged in the Documents or whether the Documents and the transactions envisaged therein achieve the commercial, tax, regulatory or other aims of the parties to the documents.

8. Governing law

This Opinion is to be governed by and construed in accordance with the laws of Kenya and is issued solely for the use of the Note Trustee and the initial subscribers for the Notes in connection with the Note Documents and may not be relied upon in whole or in part to any person to any other person or otherwise quoted or referred to or relied upon for any other purpose without our prior written consent.

Yours faithfully,

MBOYA WANGONG'U & WAIYAKI

CG MBUGUA

cgmbugua@lexgroupafrica.com

PARTNER

Appendix B

KENYA MORTGAGE REFINANCE COMPANY PLC

REPORTING ACCOUNTANT'S REPORT IN RELATION TO THE BOND ISSUE

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The Directors,
Kenya Mortgage Refinace Company PLC,
27th Floor, UAP Old Mutual Tower, Upperhill Road, Upperhill,
P.O. Box 15494 - 00100
Nairobi.

Independent auditors report on the historical financial information of Kenya Mortgage Refinance Company PLC

Introduction

We have reviewed the accompanying statement of financial position of Kenya Mortgage Refinance Company PLC the Company, as at 31 December 2019, 31 December 2020 and 30 September 2021, and the related statements of comprehensive income, changes in equity and cash flows for the periods then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes contained in section 3.

Management is responsible for the preparation and fair presentation of these historical financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on the historical financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We reviewed the historical financial information of the Company for each of the two years ended 31 December 2019 and 2020 and the nine months un audited period ending 30 September 2021 for compliance with International Financial Reporting Standards (IFRS) applicable to financial period commencing on or after 1 January 2021. The historical financial information for each of the two financial years is based on the audited financial statements of the Company for the respective financial years, as adjusted for changes in International Financial Reporting Standards (IFRSs) to achieve consistent application of accounting policies and presentation as explained in Note 25 of the historical financial information contained in Section 3.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying historical financial information of the Company for the periods ended 31 December 2019, 2020 and 30 September 2021 has not been properly prepared in accordance with the basis of preparation explained in section 2 of the Accountants report.

Consent

We consent to the inclusion of this report in the Information Memorandum in support of the bond issue by Kenya Mortgage Refinance Company PLC to be issued on or about 4 February 2022 in the form and context in which it appears.

CPA Evanson Ng'ang'a Practising Certificate Number 2146
Engagement partner responsible for the review
For and on behalf of MAZARS
Certified Public Accountant
Nairobi
10 January 2021

mazars

The Directors,
Kenya Mortgage Refinace Company PLC,
27th Floor, UAP Old Mutual Tower, Upperhill Road, Upperhill,
P.O. Box 15494 - 00100
Nairobi.

Independent auditors report on the prospective financial information of Kenya Mortgage Refinance Company PLC

We have undertaken a reasonable assurance review of the accompanying prospective financial information (the "Forecast") of Kenya Mortgage Refinance Company PLC (the Company) set out in Section 5 comprising the statement of financial position as at 31 December 2021 and 31 December 2022 and the statements of profit or loss and other comprehensive income and changes in equity for the years ending then in accordance with the International Standard on Assurance Engagements.

The forecast has been prepared on the basis of assumptions set out in Section 6 and the accounting policies set out in Section 3 of the Accountant's report.

Kenya Mortgage Refinance Company PLC responsibility for the projected financial statements

Kenya Mortgage Refinance Company PLC is responsible for the preparation and presentation of the projected financial statements, including the assumptions set out in Section 6 and accounting policies set out in Section 3 on which they are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the projected financial statements that are based on the accompanying assumptions.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standard Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to provide the opinion required by the Capital Markets Authority ("CMA"). We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000, Assurance engagements other than audits or reviews of historical financial information ('ISAE 3000'), issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether management has properly compiled, in all material respects, the projected financial statements on the basis of the assumptions set out in Section 6 and the accounting policies set out in Section 3 of the Accountant's report.

This reasonable assurance engagement, performed in accordance with ISAE 3000, involved performing procedures to obtain evidence that the projected financial statements were properly compiled by management on the basis of the assumptions set out in Section 6 and that the basis of accounting used is consistent with the accounting policies of the Company. The nature, timing and extent of procedures selected in an ISAE 3000 engagement depend on the auditor's judgment, including the assessment of the risks of improper compilation, whether due to fraud or error, of the projected financial statements. In making those risk assessments, we considered internal control relevant to Kenya Mortgage Refinance Company PLC's preparation of the projected financial statements. Our procedures included evaluating whether the accounting policies applied in the preparation of the projected financial statements were consistent with the accounting policies used by management in the preparation of the entity's previous financial statements and whether the projected financial statements had been properly compiled on the basis of those accounting policies and management's assumptions. We also considered the overall presentation of the projected financial statements, including the disclosure of the assumptions on which it is based.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Inherent limitations

The projected financial statements have been prepared for the purpose of inclusion in the information memorandum in support of the Company's bond issue and may not be used for any other purpose. Because of its forward looking nature, the projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Consequently, we express no opinion on the validity of the assumptions on which the projection is based or on how closely the results actually achieved will compare with the projection.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projection since other anticipated events frequently do not occur as expected and the variation may be material. Further, we emphasise that the projected financial statements are not intended to, and do not, provide all the information and disclosures necessary to give a fair presentation in accordance with international financial reporting standards ("IFRS").

Opinion

In our opinion the projected financial statements have been properly compiled on the basis of the assumptions set out in Section 6 and the basis of accounting used is consistent with the accounting policies of the Company.

Intended users and purpose

These projected financial statements have been prepared for the purpose described above, and may, therefore, not be appropriate for another purpose. Our report is intended solely for the directors of Kenya Mortgage Refinance Company PLC for inclusion in the information memorandum in support of the Company's bond issue and may not be used for any other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Consent

We consent to the inclusion of this report in the Information Memorandum in support of the bond issue by Kenya Mortgage Refinance Company PLC to be issued on or about 4 February 2022 in the form and context in which it appears.

CPA Evanson Ng'ang'a Practising Certificate Number 2146
Engagement partner responsible for the review
For and on behalf of MAZARS
Certified Public Accountant
Nairobi
10 January 2021

Basis of preparation of historical financial information

The historical financial information for each of the two financial years ended 31 December 2020 and 2019 is based on the audited financial statements of the Company for the respective financial years, which have been adjusted for changes in International Financial Reporting Standards (IFRSs) to achieve consistent application of accounting policies and presentation. The adjustments made for changes in International Financial Reporting Standards have been explained in Note 25 of the historical financial information contained in Section 3.

The financial statements were prepared in line with the accounting policies set out in Section 3 of the Accountant's report. The International Financial Reporting Standards which have been amended or introduced in the period under review have been summarised in Section 4.

Mazars was the auditor of Kenya Mortgage Refinance Company PLC for each of the years ended 31 December 2020 and 2019 and issued unqualified audit opinions on the financial statements of the Company for the respective years.

Statement of Comprehensive Income	**Note**	**Unaudited 9 months 2021 Kshs**	**2020 Kshs**	**2019 Kshs**
Revenue				
Interest income	4	466,931,668	221,094,696	125,664,018
Other operating income	5		-	200,000,000
		466,931,668	221,094,696	325,664,018
Interest expense	6	(173,091,710)	(25,389,655)	-
Gross income		293,839,958	195,705,041	325,664,018
Expenses				
Administration and operating expenses	7	(88,670,380)	(78,141,996)	(32,200,892)
Depreciation and amortisation expenses	8	(16,682,350)	(15,948,044)	(202,901)
		(105,352,730)	(94,090,040)	(32,403,793)
Net profit before income tax		188,487,228	101,615,001	293,260,225
Income tax expense	9	(81,410,729)	(24,397,662)	(28,789,041)
Total comprehensive income for the year		**107,076,500**	**77,217,339**	**264,471,184**
Earning per share		**5.92**	**5.98**	**4.99**

Statement of Financial Position		**Unaudited 9 months 2021**	**2020**	**2019**
Assets	**Note**	**Kshs**	**Kshs**	**Kshs**
Property and equipment	10	56,060,578	55,756,316	5,129,843
Intangible assets	11	5,624,507	6,403,265	-
Right-of-use assets	12	32,414,854	40,518,568	-
Other receivables	14	115,799,573	142,113,344	497,926
Net Mortgage Refinance Loans	13	597,722,387	-	-
Cash and cash equivalents	15	8,784,802,809	6,062,907,771	2,269,227,540
Deferred tax asset	18	1,328,204	2,102,827	-
Total Assets		**9,593,752,912**	**6,309,802,091**	**2,274,855,309**
Liabilities and Equity				
Liabilities				
Borrowings	16	6,697,807,036	3,725,173,478	-
Contribution pending allotment	21	580,324,875	883,999,900	683,999,900
Lease liabilities	17	39,110,295	46,172,905	-
Trade and other payables	19	13,090,015	14,110,827	25,444,686
Tax payable	9	6,280,543	7,656,358	8,982,681
Deferred tax liability	18	-	-	956,758
		7,336,612,764	**4,677,113,468**	**719,384,025**
Capital resources				
Share capital	20	1,808,375,125	1,291,000,100	1,291,000,100
Revenue reserves		448,765,023	341,688,523	264,471,184
		2,257,140,148	1,632,688,623	1,555,471,284
Total liability and Equity		**9,593,752,912**	**6,309,802,091**	**2,274,855,309**

Statement of Changes in Equity

	Notes	Share capital Kshs	Revenue reserves Kshs	Total Kshs
Year ended 31 December 2019				
As at 1 January 2019 Profit for the year		-	-	-
Profit for the year		-	264,471,184	264,471,184
Transactions with owners:				
Issue of ordinary share capital	20	1,291,000,100	-	1,291,000,100
At 31 December 2019		**1,291,000,100**	**264,471,184**	**1,555,471,284**
Year ended 31 December 2020				
As at 1 January 2020		1,291,000,100	264,471,184	1,555,471,284
Profit for the year		-	77,217,339	77,217,339
At 31 December 2020		**1,291,000,100**	**341,688,523**	**1,632,688,623**

Period ended 30 September 2021	**Notes**	**Share capital Kshs**	**Revenue reserves Kshs**	**Total Kshs**
As at 1 January 2021		1,291,000,100	341,688,523	1,632,688,623
Profit for the period		-	107,076,500	107,076,500
Transactions with owners:				
Contributions alloted	21	517,375,025	-	517,375,025
At 30 September 2021		1,808,375,125	448,765,023	2,257,140,148

Statement of Cash Flows	Note	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Cash flows from operating activities				
Total comprehensive income for the year		188,487,228	101,615,001	293,260,225
Adjustments for:				
Depreciation of property and equipment	10	5,366,178	7,043,922	202,901
Depreciation on right-of-use assets	12	8,103,714	8,103,714	-
Amortisation of intangible assets	11	3,212,458	800,408	-
Interest on lease liabilities		2,558,617	3,020,657	-
Income tax paid	9	(82,011,920)	(28,783,570)	(18,849,602)
Operating profit before working capital changes		125,716,275	91,800,132	274,613,524
Increase in other receivables	14	26,313,771	(141,615,418)	(497,926)
Increase in lending to PMLs	13	(597,722,387)	-	-
(Decease)/increase in other payables	19	(1,020,812)	(11,333,859)	25,444,686
Net cash used in from operating activities		**(446,713,153)**	**(61,149,145)**	**299,560,284**
Cash flows used investing activities				
Purchase of property and equipment	10	(5,670,439)	(57,670,395)	(5,332,744)
Purchase of intangible asset	11	(2,433,700)	(7,203,673)	-
Net cash used in investing activities		**(8,104,139)**	**(64,874,068)**	**(5,332,744)**
Cash flows from financing activities				
Proceeds from issue of ordinary shares	20	517,375,025	-	1,291,000,100
Proceeds of contribution pending allotment	21	(303,675,025)	200,000,000	683,999,900
Proceeds from borrowings	16	2,972,633,558	3,725,173,478	-
Payments of principal portion of the lease liabilities	17	(9,621,227)	(5,470,034)	-
Net cash from financing activities		**3,176,712,331**	**3,919,703,444**	**1,975,000,000**
Increase in cash and cash equivalents		**2,721,895,039**	**3,793,680,231**	**2,269,227,540**
Cash and cash equivalents at start of year		**6,062,907,771**	**2,269,227,540**	**-**
Cash and cash equivalents at end of year	15	**8,784,802,810**	**6,062,907,771**	**2,269,227,540**

1 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 IFRS16

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 wasreceived;
- 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.

2 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.

2.1 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 recognition when contractual payments are more than 30 days past due.

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

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- 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 losses Kshs

At 30 September 2021		**(a) Kshs**	**(b) Kshs**	**(c) Kshs**	**Total Kshs**
Other receivables	2,840,353	-	-	-	2,840,353
Cash at bank	6,062,907,771	-	-	-	6,062,907,771
Exposure to credit risk	6,065,748,124	-	-	-	6,065,748,124
At 31st December 2020					
Other receivables	*497,926*	-	-	-	*497,926*
Cash at bank	*2,269,227,540*	-	-	-	*2,269,227,540*
Exposure to credit risk	*2,269,725,466*	-	-	-	*2,269,725,466*

2 Financial risk management

2.1 Credit risk and expected credit losses

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.

2.2 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 Kshs	Between 1-3 months Kshs	Between 3-12 months Kshs	Over 1 year Kshs
31st December 2020				
Trade and other payables	-	7,583,319	-	
Borrowings	-	-	-	3,725,173,478
	-	7,583,319	-	3,725,173,478
31st December 2019				
Trade and other payables	-	25,444,686	-	-
	-	25,444,686	-	-

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

2.3 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.

Interest rate risk

The Company is exposed to cash flow interest rate risk resulting from changes in interest rates on its simple rate borrowings which shall not be lower than the interest rate charged by the World Bank to the Government. The Company manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs. Management consider that a change in interest rates of 1 percentage points in the year ending 31st December 2021 is reasonably possible. If the interest rates on the Company's borrowings at the year-end were to increase/decrease by this number of percentage points, with all other factors remaining constant, the post tax profit and equity would be lower/higher by Kshs. 34,334,642 (2019: Kshs. 25,919,631)

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.

3 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 2020. During the year, the Company complied with all of the externally imposed capital requirements to which they are subject.

Capital	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Share capital	1,808,375,125	1,291,000,100	1,291,000,100
Retained profit	448,765,023	341,688,523	264,471,184
	2,257,140,148	**1,632,688,623**	**1,555,471,284**
Core capital	**2,256,882,878**	**1,629,836,868**	**1,556,428,042**
Total risk - weighted assets	1,765,438,669	1,164,318,865	450,667,259
Borrowings	**6,697,807,036**	**3,725,173,478**	**-**
Gearing	297%	228%	0%

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Capital ratios			
Total regulatory capital expressed as a percentage of total risk	127.9%	140.2%	345.1%
Minimum total Capital to Risk Weighted Assets Requirement	14.5%	14.5%	14.5%
Excess	113.4%	125.7%	330.6%

4 Interest income

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Interest on investments	466,931,668	221,094,696	125,664,018

5 Other operating income

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Grant -The National Treasury	-	-	200,000,000

6 Interest expense

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Interest expense:			
- The National Treasury	98,130,242	22,368,998	-
- Lease liabilities	74,961,468	3,020,657	-
	173,091,710	**25,389,655**	-

Total interest expense for financial liabilities measured at amortised cost.

7 Administration and operating expenses

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Staff costs	51,170,705	34,148,069	10,485,771
Directors remuneration	10,495,000	15,251,000	3,608,000
Provision for post-employment benefits	4,640,823	2,578,235	-
Office rent and service charge	148,418	3,075,403	220,873
Conferences, Seminars and workshops	4,875,135	2,538,873	2,595,628
Licenses and permits	459,155	334,104	407,127
ICT expenses	282,675	131,049	191,400
Telephone, postage and internet	1,639,522	868,524	35,360
Marketing and advertisement	4,290,004	2,544,791	525,502
Office running expenses	2,362,030	1,590,520	720,116
Consultancy fees	1,031,827	9,305,104	10,874,140
Insurance costs	5,133,085	2,580,393	14,620
Audit fees	525,000	700,000	700,000
Bank charges	239,711	182,970	27,459
Motor vehicle running expenses	227,425	176,761	-
Electricity	388,831	300,967	-
Subscriptions	269,080	333,074	227,396
Corporate Social Responsibility	20,000	783,545	-
Appraisal fees	-	-	1,567,500
Loan provision	460,029	-	-
Fines and penalties	11,925	718,614	
	88,670,380	**78,141,996**	**32,200,892**

8 Depreciation and amortisation expenses

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Depreciation of property and equipment	5,366,178	7,043,922	202,901
Depreciation on right-of-use assets	8,103,714	8,103,714	-
Amortisation of intangible assets	3,212,458	800,408	-
	16,682,350	15,948,044	202,901

9 Income tax

(a) Income tax expense	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Current income tax	80,636,105	27,457,247	27,832,283
Deferred tax (income)/expense relating to the origination and reversal of temporary differences (Note 18)	774,624	(3,434,354)	956,758
Deferred tax expense relating to change in tax rate	-	374,769	-
Income tax expense	**81,410,729**	**24,397,662**	**28,789,041**

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:

Net profit before income tax	188,487,228	101,615,001	293,260,225
Tax calculated at the statutory tax rate of 30% (2020: 25%)	47,121,807	25,403,750	87,978,068
Tax effect of: Expenses not deductible for tax purposes	34,288,921	179,654	810,973
Income not subject to tax	-	-	(60,000,000)
Effect of change in statutory tax rate on deferred tax (see below)	-	(374,769)	-
Over-provision in prior year	-	(810,973)	-
Income tax expense	**81,410,728**	**24,397,662**	**28,789,041**

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	Unaudited 9 months 2021 Kshs	Unaudited 2020 Kshs	Unaudited 2019 Kshs
At 1 January	7,656,358	8,982,681	-
Current tax charge	80,636,105	27,457,247	27,832,283
Tax paid during the year			
-Balance of tax	(7,656,358)	(8,982,681)	-
-Withholding tax	(74,355,562)	(19,800,889)	(18,849,602)
At 31 December	6,280,543	7,656,358	8,982,681

10 Property and equipment

Cost	Motor vehicles Kshs	Computers Kshs	Office equipment Kshs	Furniture and fittings Kshs	Leasehold improvements Kshs	Total Kshs
At 1 January 2019	-	-	-	-	-	-
Additions	4,703,244	629,500	-	-	-	5,332,744
At 31 December 2019	4,703,244	629,500	-	-	-	5,332,744
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	-	5,474,701	-	-	195,738	5,670,439
At 30 September 2021	18,575,844	9,869,219	744,740	11,970,000	27,513,775	68,673,578
Depreciation	-	-	-	-	-	-
At 1 January 2019	-	-	-	-	-	-
Charge for the year	97,984	104,917	-	-	-	202,901
At 31 December 2019	97,984	104,917	-	-	-	202,901
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	3,482,970	928,732	62,062	892,413	-	5,366,177
At 30 September 2021	5,045,778	1,515,186	74,474	1,424,556	4,553,006	12,613,000
Net book value						
At 30 September 2021	13,530,066	8,354,033	670,266	10,545,444	22,960,769	56,060,578
At 31 December 2020	17,013,036	3,808,064	732,328	11,437,857	22,765,031	55,756,316
At 31 December 2019	4,605,260	524,583	-	-	-	5,129,843

11 Intangible assets

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Software costs			
Cost			
At 1st January	7,203,673	-	-
Additions	2,433,700	7,203,673	-
At 31st December	9,637,373	7,203,673	-
Amortisation			
At 1st January	800,408	-	-
Charge for the year	3,212,458	800,408	-
At 31st December	4,012,866	800,408	-
Net book amount			
At 31st December	5,624,507	6,403,265	

The company obtained an Enterprise Resource Planning (ERP) Software during the year which went live from 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.

12 Right-of-use-asset

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Year ended 31 December 2019			
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.

For information on the related lease liabilities, see Note 17.

13 Lending to PMLs

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Net Mortgage Refinance Loans	597,722,387	-	-

14 Other receivables

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Prepayments	5,302,605	2,840,353	497,926
Accrued income	59,257,628	89,088,771	-
HFC mortgage scheme deposit	51,239,340	50,184,220	-
	115,799,573	**142,113,344**	**497,926**

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 until the loans are settled in full.

15 Cash and cash equivalents

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Short-term bank deposits			
- KCB Bank Kenya Limited	5,127,238,616	3,360,854,025	2,067,075,360
- HFC Limited	103,685,864	100,000,000	-
- NCBA Bank Limited	1,150,218,257	-	-
- Co-operative Bank of Kenya Limited	1,371,392,000	1,371,392,000	158,122,088
Cash at bank and in hand	1,032,268,072	1,230,661,746	44,030,092
	8,784,802,809	6,062,907,771	2,269,227,540

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

16 Borrowings

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
The National Treasury	6,504,904,945	3,702,804,480	-
Accrued interest	192,902,091	22,368,998	-
	6,697,807,036	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 (herein after called "the World Bank") on 5th December 2019 to undertake a project consisting of the support for establishment, capitalization and operationalization of the Kenya Mortgage Refinance Company; provision of financing by Government to the Company to be utilized as a line credit for providing the mortgage refinancing to the eligible participating financial institutions;
and Technical Assistance.

The Government agreed under the Loan Agreement dated 5th December 2019 to on-lend to the Company an amount of Euros 166,400,000 (equivalent to Kshs.18,819,640,320) from the proceeds of the Loan for the implementation of the Project as explained above.

The Government charges interest on the principal amount of the Subsidiary Loan Facility at a simple interest rate of 4.5% per annum.

Borrowings from the government amounted to Kshs. 4,904,880 (2019: Kshs. 3,702,804,480) as at the reporting date. Interest payable of Kshs. 120,499,240 (2020: Kshs. 22,368,998) remained unpaid as at 31 December 2021. These amounts shall be accrued over the grace period/disbursement period will be capitalised on the first principal repayment date and the management expects to meet all contractual obligations in the future.

The company shall repay to the Government the principal amount of the loan in 40 equal semi-annual installments each year commencing on 30 March 2024 and ending 30 September 2043.

At the year-end, the Company had Kshs. 13,914,691,440 (2020: Kshs. 15,116,835,840) of undrawn facilities which it may utilise to fund its obligations.

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

17 Lease liabilities

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
At 31st December	39,110,295	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 12.

18 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 2020 was 25% (see - Note 10), 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 start of period Kshs	Effect of change of tax rate Kshs	Credited/ (charged) to profit or loss Kshs	At end of period Kshs
Period ended 30 September 2021				
- on historical cost basis	(174,847)	-	(28,851)	(203,698)
Software	(192,098)	-	445,566	253,468
Right-of-use assets	-			
- accelerated tax depreciation	2,431,114	-	(607,779)	1,823,336
Lease liabilities	(734,813)	-	(854,274)	(1,589,087)
Post-employment benefit obligation	773,471	-	270,714	1,044,185
Net deferred tax (liability) /asset	**2,102,827**	**-**	**(774,624)**	**1,328,204**
Year ended 31st December 2020				
Property, plant 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) /asset	**(956,758)**	**(374,769)**	**3,434,354**	**2,102,827**
Year ended 31st December 2019				
Property, plant and equipment - on historical cost basis	-		(956,758)	(956,758)
Net deferred tax (liability)	-		**(956,758)**	**(956,758)**

19 Trade and other payables

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
Trade payables	(323,776)	365,484	-
Accruals	1,225,363	7,583,319	25,444,686
Payroll liabilities	3,783,083	2,684,405	-
Other payables	1,186,287	899,384	-
Post-employment benefit obligation (Note 22)	7,219,058	2,578,235	-
	13,090,015	**14,110,827**	**25,444,686**

20 Share capital

Issued and fully paid up capital

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
At 1st January	1,291,000,100	1,291,000,100	-
Allotted	517,375,025		
Issue for cash	-	-	1,291,000,100
At end of period	**1,808,375,125**	**1,291,000,100**	**1,291,000,100**

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

21 Contribution pending allotment

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
At 1 January	883,999,900	683,999,900	-
Allotted	(517,375,025)	-	-
Addition during the year	213,700,000	200,000,000	683,999,900
At end of period	**580,324,875**	**883,999,900**	**683,999,900**

22 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:

	Unaudited 9 months 2021 Kshs	2020 Kshs	2019 Kshs
At start of year	2,578,235	-	-
Additional provision made during the year, charged	4,640,823	2,578,235	-
Benefits paid during the year	-	-	-
At end of year	**7,219,058**	**2,578,235**	-

23 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:

	Unaudited 9 months 2021 Kshs	**2020 Kshs**	**2019 Kshs**
Within one year	-	9,621,227	-
Later than one year but within five years	36,170,496	43,208,058	-
	36,170,496	**52,829,285**	-

24 Related party transactions

The following transactions were carried out with related parties.

	Unaudited 9 months 2021 Kshs	**2020 Kshs**	**2019 Kshs**
(i) Key management compensation			
Salaries and other employment benefits	**31,469,466**	**31,469,466**	**10,069,715**
(ii) Directors' benefits and other remuneration			
- fees	6,040,000	9,743,000	2,150,000
- allowances	4,455,000	5,508,000	1,458,000
	10,495,000	**15,251,000**	**3,608,000**

25 Adjusted for changes in International Financial Reporting Standards IFRSs

Standard	Years affected	Impact
Amendments to References to the Conceptual Framework in IFRS Standards	2019	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework. While there are no new disclosure requirements, entities are reminded of the general requirement to provide information and framework adopted in preparing the financial statements. The amendment did not have any significant effect on the Company and no adjustments are necessary to the financial information for the year ended 31 December 2019.
Definition of a Business (Amendments o IFRS3)	2019	The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms , the application guidance, and the illustrative examples of IFRS 3 only. They:
		- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
		- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
		- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
		- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
		- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
		The amendment did not have a significant effect on the company and no adjustments are necessary to the financial information for the year ended 31 December 2019

<table>
<tr><td rowspan="2">Definition of Material (Amendments to IAS 1 and IAS8)</td><td rowspan="2">2019</td><td>The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.</td></tr>
<tr><td>The amendment did not have a significant effect on the company and no adjustments are necessary to the financial information for the year ended 31 December 2019</td></tr>
<tr><td rowspan="2">Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39and IFRS 7)</td><td rowspan="2">2019</td><td>The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.</td></tr>
<tr><td>The amendment did not have any effect on the company and no adjustments are necessary to the financial information for the year ended 31 December2019</td></tr>
<tr><td rowspan="2">Covid-19-Related Rent Concessions (Amendment to IFRS16)</td><td rowspan="2">2019</td><td>The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.</td></tr>
<tr><td>The amendment did not have a significant effect on the company and no adjustments are necessary to the financial information for the years ended 31 December 2019 and 2020</td></tr>
<tr><td rowspan="3">Interest Rate Benchmark Reform — Phase2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4and IFRS 16)</td><td rowspan="3">2019
and</td><td>The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.</td></tr>
<tr><td>There are new disclosure requirements under hedge accounting, entities are reminded of the general requirement to provide information about judgements in adopting IBOR reform as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.</td></tr>
<tr><td>The amendment did not have a significant effect on the company and no adjustments are necessary to the financial information for the years ended 31 December 2019 and 2020.</td></tr>
<tr><td rowspan="2">Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)</td><td rowspan="2">2019
and
2020</td><td>The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19- related rent concession is a lease modification.</td></tr>
<tr><td>The amendment did not have a significant effect on the company and no adjustments are necessary to the financial information for the years ended 31 December 2019 and 2020.</td></tr>
</table>

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

There are Amendments to standards which became effective for the first time in the financial year beginning 1st January 2021 and have been adopted by the Company. None of the Amendments hashad an effect on the Company's financial statements.

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

The Company has not applied any 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. Below is the list of all such 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 IFRS 16 titled Covid-19 Related Rent Concessions (issued in May 2020)

The amendments, applicable to annual periods beginning on or after 1 June 2021, 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 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 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.

(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 a represented 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.

(ii Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

(e) Financial instruments

Financial assets and liabilities
Measurement methods

Amortised cost and effective interest rate

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

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

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

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 or loss are expensed in profit or loss. Immediately after the initial recognition, an expected credit loss allowance (ECL) is recognised for the financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in the statement of comprehensive income when an asset is newly originated.

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

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

b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

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

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

Debt instruments

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

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:

a. 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.

b. Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, whether 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.

c. 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.

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

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

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

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

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 theCompany 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 theassets

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.

(f) 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.

(g) 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.

(h) 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 sellit;
- 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.

(i) 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.

(j) 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.

k 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.

(l) Provisions for liabilities

Provisions are recognised when the Company has apresent 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.

(m) 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.

(n) Borrowing costs

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

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

(o) Comparatives

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

Statement of Comprehensive Income			
	2023 Kshs	**2022 Kshs**	**3 months 2021 Kshs**
Revenue			
Interest income	1,701,908,355	1,409,006,959	98,490,303
Other operating income	-	-	-
	1,701,908,355	1,409,006,959	98,490,303
Interest expense	(1,348,244,663)	(874,723,126)	(99,585,925)
Gross income	353,663,693	534,283,833	(1,095,622)
Expenses			
Administration and operating expenses	(199,316,141)	(189,450,043)	(88,065,192)
Financing expenses	(38,585,647)	-	(21,198,174)
Depreciation and amortisation expenses	(16,221,907)	(18,618,861)	(3,093,198)
	(254,123,694)	**(208,068,904)**	**(112,356,564)**
Net profit before income tax	99,539,999	326,214,929	(113,452,186)
Income tax expense	(29,862,000)	(97,864,479)	61,509,855
Total comprehensive income for the year	**69,677,999**	**228,350,450**	**(51,942,331)**
Earning per share	3.85	12.63	-2.87

Statement of Financial Position

	2023 Kshs	2022 Kshs	2021 Kshs
Assets			
Property and equipment	30,669,679	37,253,008	45,465,860
Intangible assets	3,069,727	4,604,591	6,906,887
Right-of-use assets	16,207,427	24,311,141	32,414,855
Government securities	9,063,945,403	9,063,945,403	5,063,945,403
Cash and cash equivalents	5,113,756,325	2,403,529,955	5,462,735,301
Tax recoverable	-	-	73,601,296
Affordable mortgage loans	11,508,487,914	5,863,757,846	1,980,075,812
Market mortgage loans	9,329,924,827	5,306,208,046	1,631,002,711
Total Assets	**35,066,061,303**	**22,703,609,991**	**14,296,148,125**
Liabilities and Equity			
Liabilities			
Bond issued	3,347,813,752	1,190,227,269	1,413,211,604
IBRD Credit line	14,519,210,179	7,894,596,108	5,094,201,470
IBRD Subordinated Loan	4,535,895,962	4,349,982,400	1,186,568,838
AFDB Credit line	7,155,519,358	3,929,734,293	2,530,308,411
AFDB Subordinated Loan	2,437,917,811	2,338,821,313	1,247,224,815
Contributions pending allotment	580,324,875	580,324,875	580,324,875
Lease liabilities	21,436,454	30,617,420	39,110,295
Tax payable	(35,283,353)	(44,241,952)	-
	32,562,835,038	**20,270,061,724**	**12,090,950,309**
Capital resources			
Share capital	1,808,375,125	1,808,375,125	1,808,375,125
Revenue reserves	694,851,140	625,173,141	396,822,691
	2,503,226,265	2,433,548,266	2,205,197,816
Total liability and Equity	**35,066,061,303**	**22,703,609,991**	**14,296,148,125**

Statement of Changes in Equity

	Share capital Kshs	Revenue reserves Kshs	Total Kshs
Year ended 31 December 2021			
As at 1 January 2021	1,808,375,125	448,765,026	2,257,140,148
Loss for the period	-	(51,942,331)	(51,942,331)
At 31 December 2021	**1,808,375,125**	**396,822,691**	**2,205,197,816**
Year ended 31 December 2022			
As at 1 January 2022	1,808,375,125	396,822,691	2,205,197,816
Profit for the year	-	228,350,450	228,350,450
At 31 December 2022	**1,808,375,125**	**625,173,142**	**2,433,548,267**
Year ended 31 December 2023			
As at 1 January 2023	1,808,375,125	625,173,142	2,433,548,267
Profit for the period	-	69,677,999	69,677,999
At 31 December 2023	**1,808,375,125**	**694,851,141**	**2,503,226,266**

Key assumptions

The prospective financial information has been prepared by the directors on the basis of the assumptions set out below and in accordance with accounting policies of the historical financial information and setout in Section 3 to this Accountant's report.

There are four major categories of assumptions used in KMRC's projections:

a. Accounting assumptions

b. Balance Sheet assumptions

c. Cost and CAPEX assumptions

d. Capitalization assumptions

e. Investment assumption

1 Accounting Assumptions

The accounting assumptions used include such as depreciation, tax and capital allowance rates. These have been drawn from KMRC internal accounting policy's that are aligned to IFRS and Kenyan tax law

Table 1: Accounting Assumptions

	Rate
Depreciation/Amortisation	
Office Equipment	20.00%
Furniture & fittings	10.00%
Computer Equipment	25.00%
Motor Vehicle	25.00%
Leasehold Improvement	16.67%
Software/Intangible Assets	33.33%
Capital allowances	
Office Equipment	10.00%
Furniture & fittings	10.00%
Computer Equipment	25.00%
Motor Vehicle	25.00%
Leasehold Improvement	10.00%
Corporation tax rate	30.00%
Inflation	5.00%

2 Balance Sheet Assumptions

(2.1) Loan Funding

The key drivers for KMRC balance sheet and income statement is driven by the PML loans that KMRC projects to finance into the future. Several factors may affect these projections including the size of the Mortgage Market in Kenya, size of KMRC's lending pool (KMRC members that access to its facilities and the general economic and policy environment in Kenya.

Taking into account the above factors, KMRC's management projects its loan pipeline to grow as indicated below:

Table 1: KMRC Projected Loan Pipeline (KES)

YEAR	2022	2023	2024
PML Loan Pipeline			
Affordable Mortgages	4,344,000,000	6,516,000,000	9,774,000,000
Market Rate Mortgages	3,938,000,000	5,817,000,000	8,725,500,000
TOTAL	8,282,000,000	12,333,000,000	18,499,500,000

The PML Loan projections will determine the funding and capitalization requirements for KMRC.

KMRC assets will be funded through;

a. **Credit Lines:** These are facilities that KMRC is utilizing to issue refinance loans to the PMLs. KMRC has access to credit line facilities from the World Bank (KES 19 billion) and AfDB (KES 8 billion) through the National Treasury. As of 2020, KMRC had drawn KES 2.5 billion from the World Bank Credit Line. Table 2 below provides an overview of KMRC's Credit Line & Sub-Debt facilities.

Table 2: KMRC's Credit Line & Sub-Debt Facilities

Bank	Line	Amount KES Equiv.	Use of Funds	Key Terms
World Bank	Credit Line	19 billion	80%: Affordable loans	Term: 20 years
			(< KES 4 million)	Grace Period: 5 years
			20%: Market Rate	Effective Date: 2019
			(> KES 4 million)	Closing Date: 2024
	Subordinated Loan	5 billion	Tier 2 Capital	Interest: 4.5%
AfDB	Credit Line	8 billion	40%: Affordable loans	Term: 25 years
			(KES 3.5 – 4.5 million)	Grace Period: 8 years
			60%: Market Rate	Effective Date: 2020
			(KES 4.5 – 9 million)	Closing Date: 2026
	Subordinated Loan	2 billion	Tier 2 Capital	Interest: 4.5%

b. **Bonds:** These will be utilized to refinance assets classified as Market mortgages and will have market pricing. In order to determine the amounts to be sourced from the bond market, KMRC deducted annual credit line flows from the projected PML loan pipeline:

Table 2: KMRC's Bond Projections

YEAR	2021	2022	2023	2024
KMRC Bond Projections (KES)	1,413,211,604		2,572,376,445	6,479,161,060

The bonds are expected to be priced based on the Government of Kenya yield for the tenor matching the KMRC bond issued and an additional market premium of 100bps. KMRC projects that the weighted average life of the KMRC bonds will start at 5 years and gradually grow as KMRC becomes a repeat issuer in the market.

(2.2) Loans

The refinancing loans will then be matched with the source of funding i.e. the Credit line will be used to finance affordable and market rate mortgages in line with the prescribed use of funds. The bonds will be used to finance the market rate mortgages.

The base case pricing for these loans will be at 50bps over the blended cost of funds i.e. the bonds yield and the cost of using the credit lines. The pricing of loans will determine the interest income while the pricing of bonds and credit lines will determine the interest expense.

KMRC has assumed that there will be growth in tenor for KMRC's funding sources, allowing it to offer the longer-term loans to its members

3 Cost and CAPEX Assumptions

KMRC's projections provides for certain costs that will be incurred in operating KMRC including personnel cost, administration cost, professional services costs, establishment costs and other costs. These costs are based on KMRC's 2021 budget are then modelled to grow inline with inflation. KMRC's assets such as office equipment, furniture, computers and software, and leasehold improvements. will be subjected to depreciation and capital allowance provisions as the CAPEX will be included in KMRC's tax computations.

4 Capitalization Assumptions

KMRC core capitalization projections primarily share capital and retained earnings are assumed and checked to maintain compliance in line with CBK's prudential guidelines.

(4.1) Investment Income Assumptions

KMRC has investable capital i.e. available capital that has not been deployed in refinancing and provides earnings assumptions based on the average amount of investable capital in a year. KMRC's currently places its investable funds in the short-term money market instruments such as call, fixed deposits and treasury bills. It is assumed that these instruments will yield an average of 7% based on prevailing interest rates.

KMRC will also be investing in Government securities as per the requirements of its Treasury policy.
The Company intends to stay above the minimum statutory ratios for capital adequacy over the forecast period as follows:

REGULATORY RATIOS	Minimum standard ratios	2021	2022	2023
Core Capital/RWA	10.50%	10.50%	10.50%	10.50%
Total Capital/RWA	14.50%	14.50%	14.50%	14.50%
Core Capital/ Total Deposits	8.00%	N/A	N/A	N/A
Liquid Assets/ Short term liabilities	20.00%	20.00%	20.00%	20.00%
Supplementary Capital/ Total Capital	N/A	N/A	N/A	N/A

The Company performance ratios over the forecast period as follows:

Performance Ratios	2021	2022	2023
Net Interest Margin	8.11%	7.23%	2.21%
Return on average assets	0.39%	1.23%	0.24%
Return on average equity	1.98%	7.87%	2.29%
Cost to Income	35.01%	13.45%	13.98%
Debt to Equity	4.12	6.54	10.38
Loan to Assets Ratio	80%	87%	91%

Appendix C: Form of Application

In respect of an issue of KES 10,500,000,000 Ten Billion Five Hundred Million Medium Term Note Programme due to mature in **(*** ******* ****)** Fixed Rate Notes (the Notes.) All of the Notes will be listed on the Fixed Income Securities Market Segment of the Nairobi Securities Exchange.

Offer opens at 9.00 am on the (* ******* ****)**

Offer Closes at 5.00 pm on the (* ******* ****)**

The Board of Directors shall reject any application in whole or in part if the instructions as set out in the Information Memorandum and the Application Form are not complied with.

APPLICANTS STATEMENT

By signing the Application Form overleaf, I/We the applicants herein state that:

1. I/We have full legal capacity and having read the Information Memorandum and this Application Form including the notes at the back I/We hereby irrevocably apply for and request you to accept my/our application for the under mentioned value of Notes in Kenya Mortgage Refinance Company, or any lesser value of Notes that may, in your sole and absolute discretion, be allotted to me/us subject to the Terms and Conditions as contained in the Pricing Supplement as well as the allocation policy under the Information Memorandum.

2. I/We authorize Kenya Mortgage Refinance Company to enter my/our name in the register of Noteholders of Kenya Mortgage Refinance Company as holders of Notes to me/us and to issue any refunds due to me/us via Electronic Funds Transfer in accordance with the terms and conditions in the Information Memorandum.

3. I/We agree that this application shall be irrevocable and shall constitute a contract which shall become binding upon receipt by Kenya Mortgage Refinance Company and shall be governed by the terms and conditions of the notes.

4. I/We acknowledge that Kenya Mortgage Refinance Company reserves the right to reject any application found to be in contravention of above declarations.

5. I/We confirm that all information provided by me us on the Application Form is true.

PRINT ONLY WITHIN BOXES

KMRC
KENYA MORTGAGE REFINANCE COMPANY

OFFER APPLICATION FORM

GOOD			BAD		
S	T	F	S	T	F

PLEASE COMPLETE IN CAPITAL LETTERS USING BLUE/ BLACK INK

Serial No :

A: APPLICANT POOL: (Tick as applicable)

Applicant type : ☐ Retail/ Individual ☐ Institutional ☐ Tax status : ☐ Taxable ☐ Exempt

Residence : ☐ Resident ☐ Non Resident ☐ Citizenship : ☐ Kenyan ☐ Foreigner

B: (i) PRIMARY APPLICANT DETAILS : (Names as per National ID / Passport)

First Name and Other Names

KRA PIN

Surname (Last Name)

CDS A/C No.

Passport Number / ID Number / Alien ID Number

Country of Issue

(ii) JOINT APPLICANT 1 DETAILS : (Names as per National ID / Passport)

Surname (Last Name)

CDS A/C No.

First Name and Other Names

KRA PIN

Passport Number / ID Number / Alien ID Number

Country of Issue

(iii) JOINT APPLICANT 2 DETAILS : (Names as per National ID / Passport)

Surname (Last Name)

CDS A/C No.

First Name and Other Names

KRA PIN

Passport Number / ID Number / Alien ID Number

Country of Issue

(iv) CORPORATE / INSTITUTIONS : (Name as per Certificate of Registration / Incorporation)

Names

Registration / Incorporation No.

CDS A/C No.

County of Registration / Incorporation

KRA PIN

For Nominee Applicants Only:

Account Name / Number

C: FULL MAILING ADDRESS AND CONTACT DETAILS FOR ALL APPLICANTS :

P .O. Box

Postal Code

Street

City/ Town

Country

Telephone Number

Mobile Number

Email Address

D: VALUE OF NOTES APPLIED FOR:

Minimum Amount of Kshs. 100,000 ; Additional Amount in Multiples of Kshs. 100,000

FIXED INTEREST RATE NOTES

Amount in Figures (Kes)

Amount in Words

FLOATING INTEREST RATE NOTES

Amount in Figures (Kes)

Amount in Words

E: PAYMENT DETAILS:

Electronic Fund Transfer Only

Name of Bank

Bank Code

Name of Branch (e .g. MOI AVENUE)

Amount of Payment

Funds Transfer Reference Number

PLEASE ATTACH PROOF OF PAYMENT WHERE PURCHASE IS FINANCED/GUARANTEED (OPTIONAL) – ATTACH FINANCING/GUARANTEE LETTER FROM BANK

Tick if applicable

Bank Code

GPS (Please tick If applicable)

F: REFUND / INTEREST PAYMENT AND PRINCIPAL REPAYMENT:

Electronic Fund Transfer Only

Name of Bank

Bank Code

Name of Branch (e .g. MOI AVENUE)

Amount of Payment

Funds Transfer Reference Number

G: SIGNATURES

Signature 1

Signature 2

COMPANY SEAL

NAME OF AUTHORISED SIGNATORY/ID NO. (CORPORATE ONLY):

NAME OF AUTHORISED SIGNATORY/ID NO. (CORPORATE ONLY):

Date (DD / MM/ YYYY)

				2	0	2	2

H: FOR OFFICIAL USE ONLY:

Authorised Placement Agent Stamp

GENERAL INSTRUCTIONS ON COMPLETING THE APPLICATION FORM

1. Applications can be made through NCBA Investment Bank Limited or online via URL: https://kmrc.candrgroup.co.ke.

2. NCBA Investment Bank Limited will be pleased to assist in understanding the application process and subsequently filling in the Application Form.

3. Where necessary, applicants are requested to consult their financial advisor. The offer closes on (******************)

4. Use capital letters with only black/blue biro/ink, within the grid spaces provided. Alterations (other than deletion of alternatives) must be authenticated by the full signature of the applicant or preferably a new form used.

5. No individual or organization can make any promises contrary to the allocation criteria specified in the Information Memorandum.

SUBSCRIPTION TERMS:

Agreement is governed by the terms of the Issuer's Information Memorandum, which may be varied from time to time. This completed form should be forwarded electronically to the Arranger and Paying, Registrar and Fiscal Agent to the share registrar at the following address:

"NCBA Investment Bank Ltd, NCBA Annex, Hospital Road, P.O. Box 44599-00100, Nairobi, Kenya,
Tel: +254 20 2884604,Mobile: +254 732 156604/+254 711 056604, Email: advisory@ncbagroup.com

Custody Registrars Services Ltd, 1st Floor, IKM Place, Tower B, 5th Ngong Avenue, Off Bishops Road,
Tel: 0726971599,0737095124.

Attention: Purity Kairuthi, Chief Finance Officer, Email: kmrc@candrgroup.co.ke

The Subscriber confirms and represents that none of the funds which the Subscriber may transfer to the Issuer's bank account have been derived directly or indirectly from any act or omission that may constitute an offence or as a result of or in connection with any criminal conduct under the Proceeds of Crime and Anti-Money Laundering Act No.9 of 2009 or any other written law. The Subscriber hereby declares that to the best of the Subscriber's knowledge and belief the information on the source of funds statement and any and all information and all annexures thereto made in this Subscription Agreement, are true and accurate and the funds transferred are free of all claims, debts, loans, lawsuits, contingent liabilities, (such as indemnities or guarantees) immediately prior to the transfers by the Subscriber to the bank accounts of the Issuer and that the funds were legitimately acquired. In addition, the Subscriber also declares and indemnifies the Promoter that all approvals and authorities required (if any) as regards the source of funds have been had and obtained prior to the transfer of such funds. The Subscriber understands and consents that the Issuer may disclose this information to law enforcement authorities where required by Court Order or other applicable law. The Subscriber hereby declares that the Subscriber is not involved in any criminal or money laundering activity and the funds that are and will be held on the above mentioned account are clear and are not derived from any illegal activities and are derived from the sources indicated in this Subscription Agreement.

The information provided in this form may be used for the processing of the investment(s) as per this form and the Data Protection Act, 2019 and provision of client updates and informational material produced by the Issuer including but not limited to the weekly, monthly, quarterly and annual magazines and reports. By signing this form, you hereby give your consent to KMRC for the collection, storage and processing of your personal data provided herein in line with international best practices, which data shall be encrypted and the security systems reviewed periodically. You may withdraw your consent given herein at any time by informing KMRC of the same. You have the right to request the access, rectification and/or deletion of any of your personal data, provided herein to the extent that the same is not in violation of any written law or regulation. You may also report any unsatisfactory handling of your data for remedial actions to be taken. The personal data shall be stored for as long as reasonably required for legal or business purposes, after which it shall be securely deleted or destroyed. Your personal data may be used to make certain decisions based solely on automated processing. You have the right to request for the decision to be reconsidered or for a new decision to be made not based solely on automated processing.

The Subscriber agrees to indemnify the Issuer against any liability that may arise out of the information provided by the Subscriber in this Subscription Agreement. Instructions issued by the Subscriber via email, (after execution of the relevant email indemnity) agrees to bear liability on instances caused by their negligence and or willful neglect in these instances.

Nominee applications from bona fide registered nominee corporates will be accepted provided there is a unique account name/number provided for each application. For the avoidance of doubt, Nominee Accounts must be held for the benefit of a 3rd party eligible for applying for the Issue in their own right.

Application lists will close at 5:00 pm on (*************)

All alterations on this form must be authenticated by full signature.

All applications must be made without any conditions stated by applicants.

Under no circumstances whatsoever may the name of the applicant be changed and it this is done then the application form will be invalid.

Applications are made subject to the provisions of the Information Memorandum with which this form is attached

Applications are irrevocable and may not be withdrawn or amended without the written consent of the Issuer Individual applicants must be 18 years of age or older.

1. Allotment procedure

The base of allotment will be determined by the Issuer and the Arranger and will be communicated by the Issuer to the Capital Markets Authority.

The right is reserved to accept or reject any application in whole or in part.

2. Settlement, Payment of the purchase price for the notes may be made:

By bank transfer/remittance of the funds for credit of the Issuer's account below: such application and original transfer confirmation slip to reach the Authorized Placement Agent not later than 5:00 pm on (*****************) for Retail Investors

By bank transfer/remittance of the funds for credit of the Issuer's account below: not later than 3:00 pm on (*****************) for Institutional Investors Receiving Bank details: **KMRC Bond Collection Account No. 1290321841, KCB Moi Avenue.**

3. Delivery of Notes

The Notes will be credited to each successful applicant CDSC account against cleared funds. No temporary documents of title will be issued.

4. General

Any acceptance of an application for the Notes shall be governed and constructed in accordance with the Kenyan Law

KMRC

KENYA MORTGAGE REFINANCE COMPANY