

## AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES

	Bank		Group Consolidated	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
	Audited (Ksh'000)	Audited (Ksh'000)	Audited (Ksh'000)	Audited (Ksh'000)
<b>I STATEMENT OF FINANCIAL POSITION</b>				
<b>AS AT 31 DECEMBER 2021</b>				
<b>A. ASSETS</b>				
1 Cash balances (both local and foreign)	761,310	538,629	761,310	538,629
2 Balances due from Central Bank of Kenya	756,604	1,805,104	756,604	1,805,104
3 Kenya Government and other securities held for dealing purposes	-	-	-	-
4 Financial Assets at fair value through profit and loss	-	-	-	-
5 Investment Securities:				
<b>a) Held to Maturity:</b>	<b>1,941,696</b>	<b>1,825,422</b>	<b>1,941,696</b>	<b>1,825,422</b>
a. Kenya Government securities	1,941,696	1,825,422	1,941,696	1,825,422
b. Other securities	-	-	-	-
<b>b) Available for sale:</b>	<b>5,163,921</b>	<b>4,724,746</b>	<b>5,163,921</b>	<b>4,724,746</b>
a. Kenya Government securities	5,163,921	4,724,746	5,163,921	4,724,746
b. Other securities	-	-	-	-
6 Deposits and balances due from local banking institutions	205,010	90,256	205,010	90,256
7 Deposits and balances due from banking institutions abroad	763,728	307,396	763,728	307,396
8 Tax recoverable	233,135	221,861	344,930	342,746
9 Loans and advances to customers (net)	38,194,786	35,910,642	36,998,473	34,692,625
10 Balances due from banking institutions in the group	-	-	-	-
11 Investments in associates	-	-	-	-
12 Investments in subsidiary companies	-	-	-	-
13 Investment in Joint ventures	208,071	198,141	1,635,079	1,544,339
14 Investment properties	559,631	698,782	1,263,268	1,391,875
15 Property and equipment	1,775,440	1,585,615	1,780,854	1,590,454
16 Prepaid operating lease rentals	-	-	-	-
17 Intangible assets	702,377	519,150	703,254	519,873
18 Deferred tax asset	1,094,505	1,389,605	1,305,059	1,612,447
19 Retirement benefit asset	-	-	-	-
20 Other assets	2,117,846	2,282,887	1,822,064	1,917,606
<b>21 TOTAL ASSETS</b>	<b>54,478,060</b>	<b>52,098,236</b>	<b>55,445,251</b>	<b>52,903,518</b>
<b>B. LIABILITIES</b>				
22 Balances due to Central Bank of Kenya	-	-	-	-
23 Customer deposits	40,005,915	37,793,023	39,944,490	37,714,914
24 Deposits and balances due to local banking institutions	1,190,118	601,606	1,190,118	601,606
25 Deposits and balances due to foreign banking institutions	-	-	-	-
26 Other money market deposits	-	-	-	-
27 Borrowed funds	3,681,087	4,351,209	3,681,087	4,351,209
28 Balances due to banking institutions in the group	-	-	-	-
29 Tax payable	-	-	-	-
30 Dividends payable	-	-	6,361	246
31 Deferred tax liability	-	-	-	-
32 Retirement benefit liability	-	-	-	-
33 Other liabilities	1,353,833	1,486,806	2,061,408	2,267,255
<b>34 TOTAL LIABILITIES</b>	<b>46,230,953</b>	<b>44,232,644</b>	<b>46,883,465</b>	<b>44,935,230</b>
<b>C. SHAREHOLDERS' FUNDS</b>				
35 Paid up /Assigned capital	5,000,000	5,000,000	1,923,071	1,923,071
36 Share premium/(discount)	3,513,662	3,513,662	4,343,512	4,343,512
37 Revaluation reserves	310,662	310,662	1,012,125	1,012,124
38 Retained earnings/Accumulated losses	(4,226,070)	(4,367,005)	(2,384,781)	(2,737,700)
39 Statutory loan loss reserves	3,653,888	3,413,517	3,653,888	3,413,517
40 Other Reserves	(5,035)	(5,244)	13,971	13,763
41 Proposed dividends	-	-	-	-
42 Capital grants	-	-	-	-
<b>43 TOTAL SHAREHOLDERS' FUNDS</b>	<b>8,247,107</b>	<b>7,865,592</b>	<b>8,561,786</b>	<b>7,968,288</b>
<b>44 TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>54,478,060</b>	<b>52,098,236</b>	<b>55,445,251</b>	<b>52,903,518</b>

	Bank		Group Consolidated	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
	Audited (Ksh'000)	Audited (Ksh'000)	Audited (Ksh'000)	Audited (Ksh'000)
<b>II STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2021</b>				
<b>1 INTEREST INCOME</b>				
1.1 Loans and advances	3,820,754	3,408,434	3,668,778	3,237,689
1.2 Government securities	555,322	663,636	555,322	663,636
1.3 Deposits and placements with banking institutions	41,409	21,768	41,409	21,768
1.4 Other Interest Income	-	-	-	-
1.5 <b>Total interest income</b>	<b>4,417,485</b>	<b>4,093,838</b>	<b>4,265,509</b>	<b>3,923,093</b>
<b>2 INTEREST EXPENSES</b>				
2.1 Customer deposits	1,805,618	1,529,199	1,805,618	1,529,199
2.2 Deposits and placement from banking institutions	154,219	168,375	154,219	168,375
2.3 Other interest expenses	445,495	406,868	439,412	397,664
2.4 <b>Total interest expenses</b>	<b>2,405,332</b>	<b>2,104,442</b>	<b>2,399,249</b>	<b>2,095,238</b>
<b>3 NET INTEREST INCOME/(LOSS)</b>	<b>2,012,153</b>	<b>1,989,396</b>	<b>1,866,260</b>	<b>1,827,855</b>
<b>4 OTHER OPERATING INCOME</b>				
4.1 Fees and commissions on loans and advances	54,074	130,434	54,074	130,434
4.2 Other fees and commissions	117,633	133,071	200,313	177,912
4.3 Foreign exchange trading income/(Loss)	85,270	48,350	85,270	48,350
4.4 Dividend Income	-	-	-	-
4.5 Other income	102,974	82,100	172,809	181,430
4.6 <b>Total Non-interest income</b>	<b>359,951</b>	<b>393,955</b>	<b>512,466</b>	<b>538,126</b>
<b>5 TOTAL OPERATING INCOME</b>	<b>2,372,104</b>	<b>2,383,351</b>	<b>2,378,726</b>	<b>2,365,981</b>
<b>6 OPERATING EXPENSES</b>				
6.1 Loan loss provision	414,803	345,688	405,069	280,645
6.2 Staff costs	1,108,624	1,078,966	1,227,163	1,182,536
6.3 Directors' emoluments	19,459	18,327	29,602	30,041
6.4 Rental charges	146,221	147,377	146,221	147,377
6.5 Depreciation charge on property and equipment	165,497	213,315	182,711	224,829
6.6 Amortisation charges	226,740	230,985	226,894	231,139
6.7 Other operating expenses	1,253,924	1,003,090	1,840,816	1,129,426
6.8 <b>Total Other Operating Expenses</b>	<b>3,335,268</b>	<b>3,037,748</b>	<b>4,058,476</b>	<b>3,225,993</b>
<b>7 Profit/(loss) before tax and exceptional items</b>	<b>(963,164)</b>	<b>(654,397)</b>	<b>(1,679,750)</b>	<b>(860,012)</b>
8 Exceptional items	(34,308)	(9,930)	(96,133)	(15,740)
<b>9 Profit/(loss) after exceptional items</b>	<b>(997,472)</b>	<b>(664,327)</b>	<b>(1,775,883)</b>	<b>(875,753)</b>
10 Current tax	-	-	(6,772)	(24,992)
11 Deferred tax	65,743	295,010	75,791	307,454
<b>12 Profit/(loss) after tax and exceptional items</b>	<b>(931,729)</b>	<b>(381,306)</b>	<b>(1,706,864)</b>	<b>(593,290)</b>
<b>13 Other Comprehensive Income</b>				
13.1 Gains/(Losses) from translating the financial statements of foreign operations	-	-	-	-
13.2 Fair value changes in available for sale financial assets	(75,772)	(299)	(75,772)	(299)
13.3 Revaluation surplus on Property, plant and equipment	137,076	-	137,076	-
13.4 Share of other comprehensive income of associates	-	-	-	-
13.5 Income tax relating to components of other comprehensive income	15,878	90	15,878	90
<b>14 Other Comprehensive Income for the year net of tax</b>	<b>77,182</b>	<b>(209)</b>	<b>77,182</b>	<b>(209)</b>
<b>15 Total comprehensive income for the year</b>	<b>(854,547)</b>	<b>(381,515)</b>	<b>(1,629,682)</b>	<b>(593,499)</b>
<b>Earnings per share</b>	<b>(186.35)</b>	<b>(76.26)</b>	<b>(4.44)</b>	<b>(1.54)</b>
<b>Dividend per share</b>	-	-	-	-

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	Audited (Ksh'000)	Audited (Ksh'000)	Audited (Ksh'000)	Audited (Ksh'000)
<b>III DISCLOSURES AS AT 31 DECEMBER 2021</b>				
<b>1 Non-Performing Loans and Advances</b>				
a) Gross non-performing loans and advances	10,798,847	8,672,760	10,798,847	8,672,760
b) Less: Interest in Suspense	3,287,599	2,817,043	3,287,599	2,817,043
c) Total non-Performing loans and advances (a-b)	7,511,248	5,855,716	7,511,248	5,855,716
d) Less: Loan loss provisions	3,563,855	3,567,006	3,563,855	3,567,006
e) <b>Net non-performing loans and advances(c-d)</b>	<b>3,947,393</b>	<b>2,288,710</b>	<b>3,947,393</b>	<b>2,288,710</b>
f) Discounted value of securities	3,947,393	2,288,710	3,947,393	2,288,710
g) <b>Net Exposure(e-f)</b>	-	-	-	-
<b>2 Insider loans and advances</b>				
a) Directors, shareholders and associates	2,211,600	2,322,805	2,211,600	2,322,805
b) Employees	794,142	772,400	794,142	772,400
c) <b>Total insider Loans and Advances</b>	<b>3,005,742</b>	<b>3,095,205</b>	<b>3,005,742</b>	<b>3,095,205</b>
<b>3 Off-Balance Sheet items</b>				
a) Letters of credit, guarantees and acceptances	821,725	1,145,634	821,725	1,145,634
b) Forwards, swaps and options	664,950	2,507,776	664,950	2,507,776
c) Other contingent liabilities	-	-	-	-
c) <b>Total contingent liabilities</b>	<b>1,486,675</b>	<b>3,653,410</b>	<b>1,486,675</b>	<b>3,653,410</b>
<b>4 Capital Strength</b>				
a) Core capital	3,621,847	3,171,718		
b) Minimum Statutory Capital	1,000,000	1,000,000		
c) Excess/Deficiency	2,621,847	2,171,718		
d) Supplementary capital	578,502	1,480,480		
e) Total capital (a+d)	4,200,349	4,652,198		
f) Total risk weighted assets	46,280,127	38,441,131		
g) Core capital /Total deposit liabilities	8.79%	8.26%		
h) Minimum Statutory Ratio	8.00%	8.00%		
i) Excess/Deficiency	0.79%	0.26%		
j) Core capital /Total risk weighted assets	7.83%	8.25%		
k) Minimum Statutory Ratio	10.50%	10.50%		
l) Excess/Deficiency (j-k)	-2.67%	-2.25%		
m) Total capital /Total risk weighted assets	9.08%	12.10%		
n) Minimum Statutory Ratio	14.50%	14.50%		
o) Excess/Deficiency (m-n)	-5.42%	-2.40%		
p) Adjusted Core Capital/Total Deposit Liabilities*	8.90%	8.42%		
q) Adjusted Core Capital/Total Risk Weighted Assets*	7.90%	8.41%		
r) Adjusted Total Capital/Total Risk Weighted Assets*	9.20%	12.26%		
<b>5 Liquidity</b>				
a) Liquidity Ratio	20.90%	22.87%		
b) Minimum Statutory Ratio	20.00%	20.00%		
c) Excess(Deficiency) (a-b)	0.90%	2.87%		

### \*Notes

The adjusted Capital Ratios includes the expected credit loss provisions added back to Capital in line with CBK Guidance Note issued in April 2018 on implementation of IFRS 9.

These financial statements are extracts from the books of the institution as audited by PWC Kenya and received unqualified opinion. The complete set of audited financial statements, statutory and qualitative disclosures can be accessed on the institutions website www.hfgroup.co.ke.

They may also be accessed at the institutions head office located at Rehani house, Kenyatta Avenue/Koinange Street,Nairobi after the approval by members at the annual general meeting

The financial statements were approved by the Board of Directors on 30 March 2022

Robert Kibaara  
Group Chief Executive Officer

Kaushik Manek  
HFC Chairman

Peter Mugeni  
Managing Director, HFC



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