



26 March 2015

Chief Executive Officer
Nairobi Securities Exchange Ltd.
The Exchange, 55 Westlands Road
P. O. Box 43633
NAIROBI

Dear Sir,

**RE: HOUSING FINANCE AUDITED GROUP RESULTS
AS AT 31 DECEMBER 2014**

Please find enclosed a copy of our Group and Company audited results for the period ended 31 December 2014 for your information and retention.

The Board of Directors shall recommend to the shareholders for approval at the upcoming Annual General Meeting a final dividend of Kes 0.75 per share, to be paid on or about 05 June 2015 to shareholders on the register at the close of business on 08 May 2015

Please acknowledge receipt on the attached copy of this letter.

Yours faithfully,

Sam Waweru
Finance & Administration Director

Enc.

HOUSING FINANCE

AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES



I	STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014	Bank		Group Consolidated	
		31.12.2013	31.12.2014	31.12.2013	31.12.2014
		Audited	Audited	Audited	Audited
A.	ASSETS	(Ksh'000)	(Ksh'000)	(Ksh'000)	(Ksh'000)
1	Cash balances (both local and foreign)	133,333	285,753	133,333	285,753
2	Balances due from Central Bank of Kenya	1,605,984	2,756,198	1,605,984	2,756,198
3	Kenya Government and other securities held for dealing purposes	-	-	-	-
4	Financial Assets at fair value through profit and loss	-	-	-	-
5	Investment Securities:	-	-	-	-
	a) Held to Maturity:	-	-	-	-
	a. Kenya Government securities	-	-	-	-
	b. Other securities	-	-	-	-
	b) Available for sale:	439,667	264,331	439,667	264,331
	a. Kenya Government securities	288,167	264,331	288,167	264,331
	b. Other securities	151,500	-	151,500	-
6	Deposits and balances due from local banking institutions	6,827,190	7,616,243	6,827,202	7,616,256
7	Deposits and balances due from banking institutions abroad	31,086	967,266	31,086	967,266
8	Tax recoverable	-	4,315	-	14,260
9	Loans and advances to customers (net)	35,215,897	45,243,539	35,215,897	45,243,539
10	Balances due from banking institutions in the group	-	-	-	-
11	Investments in associates	-	-	-	-
12	Investments in subsidiary companies	255,120	255,120	-	-
13	Investment in Joint ventures	190,800	172,549	190,800	172,549
14	Investment properties	-	-	117,822	314,347
15	Property and equipment	939,444	1,282,081	945,515	1,282,252
16	Prepaid operating lease rentals	40,325	39,860	46,685	46,038
17	Intangible assets	395,935	521,114	395,935	521,114
18	Deferred tax asset	313,116	445,431	313,278	446,455
19	Retirement benefit asset	-	-	-	-
20	Other assets	367,214	637,034	1,126,173	1,031,322
21	TOTAL ASSETS	46,755,111	60,490,833	47,389,377	60,961,680
B.	LIABILITIES				
22	Balances due to Central Bank of Kenya	-	-	-	-
23	Customer deposits	26,588,851	36,310,472	26,507,204	36,105,929
24	Deposits and balances due to local banking institutions	-	-	-	-
25	Deposits and balances due to foreign banking institutions	-	-	-	-
26	Other money market deposits	-	-	-	-
27	Borrowed funds	14,016,374	16,996,112	14,363,650	17,143,112
28	Balances due to banking institutions in the group	-	-	-	-
29	Tax payable	68,845	-	71,471	-
30	Dividends payable	47,710	46,307	47,710	46,307
31	Deferred tax liability	-	-	-	-
32	Retirement benefit liability	-	-	-	-
33	Other liabilities	351,478	861,909	539,835	1,107,450
34	TOTAL LIABILITIES	41,073,258	54,214,800	41,529,870	54,402,798
C.	SHAREHOLDERS' FUNDS				
35	Paid up /Assigned capital	1,155,350	1,157,900	1,155,350	1,157,900
36	Share premium/(discount)	1,554,523	1,557,073	1,554,523	1,557,073
37	Revaluation reserves	512,332	701,568	512,332	701,568
38	Retained earnings/Accumulated losses	1,918,942	2,616,280	2,096,596	2,899,129
39	Statutory loan loss reserves	238,371	64,021	238,371	64,021
40	Other Reserves	20,515	(45,245)	20,515	(45,245)
41	Proposed dividends	231,070	173,685	231,070	173,685
42	Capital grants	50,750	50,750	50,750	50,750
43	TOTAL SHAREHOLDERS' FUNDS	5,681,853	6,276,033	5,859,507	6,558,882
44	TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	46,755,111	60,490,833	47,389,377	60,961,680

HOUSING FINANCE

AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES



II	STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2014	Bank		Group	
		31.12.2013 Audited (Ksh'000)	31.12.2014 Audited (Ksh'000)	31.12.2013 Audited (Ksh'000)	31.12.2014 Audited (Ksh'000)
1	INTEREST INCOME				
1.1	Loans and advances	4,888,272	5,814,279	4,888,272	5,814,833
1.2	Government securities	46,536	36,014	46,536	36,014
1.3	Deposits and placements with banking institutions	505,251	523,935	505,251	523,935
1.4	Other Interest Income	-	-	-	-
1.5	Total interest income	5,440,059	6,374,228	5,440,059	6,374,782
2	INTEREST EXPENSES				
2.1	Customer deposits	1,598,748	1,882,732	1,598,378	1,867,321
2.2	Deposits and placement from banking institutions	-	-	-	-
2.3	Other interest expenses	1,288,304	1,473,482	1,288,304	1,473,482
2.4	Total interest expenses	2,887,052	3,356,214	2,886,682	3,340,803
3	NET INTEREST INCOME/(LOSS)	2,553,007	3,018,014	2,553,377	3,033,979
4	OTHER OPERATING INCOME				
4.1	Fees and commissions on loans and advances	155,907	232,497	155,907	232,497
4.2	Other fees and commissions	49,605	79,576	90,033	134,542
4.3	Foreign exchange trading income/(Loss)	1,567	17,803	1,567	17,803
4.4	Dividend Income	2,250	2,375	2,250	2,375
4.5	Other income	94,989	179,564	1,118,613	455,478
4.6	Total Non-interest income	304,318	511,814	1,368,370	842,695
5	TOTAL OPERATING INCOME	2,857,325	3,529,828	3,921,747	3,876,674
6	OPERATING EXPENSES				
6.1	Loan loss provision	280,893	551,219	280,893	551,219
6.2	Staff costs	803,880	965,412	804,060	976,430
6.3	Directors' emoluments	11,474	14,262	11,474	23,262
6.4	Rental charges	23,273	31,289	24,859	34,359
6.5	Depreciation charge on property and equipment	69,071	77,539	69,345	77,845
6.6	Amortisation charges	10,398	12,710	10,398	12,710
6.7	Other operating expenses	444,907	592,594	1,240,362	781,944
6.8	Total Other Operating Expenses	1,643,896	2,245,025	2,441,391	2,457,769
7	Profit/(loss) before tax and exceptional items	1,213,429	1,284,803	1,480,356	1,418,904
8	Exceptional items	-	(18,251)	-	(18,251)
9	Profit/(loss) after exceptional items	1,213,429	1,266,552	1,480,356	1,400,653
10	Current tax	(497,383)	(546,261)	(525,801)	(576,027)
11	Deferred tax	92,923	149,849	40,641	150,710
12	Profit/(loss) after tax and exceptional items	808,969	870,140	995,196	975,336
13	Other Comprehensive Income				
13.1	Gains/(Losses) from translating the financial statements of foreign operations	-	-	-	-
13.2	Fair value changes in available for sale financial assets	57,018	(85,151)	57,018	(85,151)
13.3	Revaluation surplus on Property, plant and equipment	-	226,161	-	226,161
13.4	Share of other comprehensive income of associates	-	-	-	-
13.5	Income tax relating to components of other comprehensive income	-	(17,533)	-	(17,533)
14	Other Comprehensive Income for the year net of tax	57,018	123,477	57,018	123,477
15	Total comprehensive income for the year	865,987	993,617	1,052,214	1,098,813
	Earnings per share	3.50	3.76	4.31	4.21
	Dividend per share	1.75	1.50	1.75	1.50

HOUSING FINANCE



AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES

III	DISCLOSURES AS AT 31 DECEMBER 2014	Bank		Group Consolidated	
		31.12.2013	31.12.2014	31.12.2013	31.12.2014
		Audited (Ksh'000)	Audited (Ksh'000)	Audited (Ksh'000)	Audited (Ksh'000)
1	Non-Performing Loans and Advances				
a)	Gross non-performing loans and advances	3,209,739	4,163,451	3,209,739	4,163,451
b)	Less: Interest in Suspense	191,031	202,458	191,031	202,458
c)	Total non-Performing loans and advances (a-b)	3,018,708	3,960,993	3,018,708	3,960,993
d)	Less: Loan loss provisions	521,728	813,945	521,728	813,945
e)	Net non-performing loans and advances(c-d)	2,496,980	3,147,048	2,496,980	3,147,048
f)	Discounted value of securities	2,496,980	3,147,048	2,496,980	3,147,048
g)	Net Exposure(e-f)	-	-	-	-
2	Insider loans and advances				
a)	Directors, shareholders and associates	-	430,568	-	275,549
b)	Employees	814,590	851,725	814,590	851,725
c)	Total insider Loans and Advances	814,590	1,282,293	814,590	1,127,274
3	Off-Balance Sheet items				
a)	Letters of credit, guarantees and acceptances	31,518	74,730	31,518	74,730
b)	Other contingent liabilities	-	-	-	-
c)	Total contingent liabilities	31,518	74,730	31,518	74,730
4	Capital Strength				
a)	Core capital	3,993,914	4,840,577		
b)	Minimum Statutory Capital	1,000,000	1,000,000		
c)	Excess/Deficiency	2,993,914	3,840,577		
d)	Supplementary capital	2,252,141	1,730,919		
e)	Total capital (a+d)	6,246,055	6,571,497		
f)	Total risk weighted assets	28,946,161	43,534,183		
g)	Core capital /Total deposit liabilities	15.02%	13.33%		
h)	Minimum Statutory Ratio	8.00%	8.00%		
i)	Excess/Deficiency	7.02%	5.33%		
j)	Core capital /Total risk weighted assets	13.80%	11.12%		
k)	Minimum Statutory Ratio	8.00%	8.00%		
l)	Excess/Deficiency (j-k)	5.80%	3.12%		
m)	Total capital /Total risk weighted assets	21.58%	15.10%		
n)	Minimum Statutory Ratio	12.00%	12.00%		
o)	Excess/Deficiency (m-n)	9.58%	3.10%		
5	Liquidity				
a)	Liquidity Ratio	33.12%	30.76%		
b)	Minimum Statutory Ratio	20.00%	20.00%		
c)	Excess(Deficiency) (a-b)	13.12%	10.76%		

These financial statements are extracts from the books of the institution as audited by KPMG Kenya and received unqualified opinion. The complete set of audited financial statements, statutory and qualitative disclosures can be accessed on the institutions website www.housing.co.ke. They may also be accessed at the institution's head office located at Rehani House, Kenyatta Avenue/Koinange Street, Nairobi after the approval by members at the annual general meeting.

Signed

CHIEF EXECUTIVE OFFICER

Signed

CHAIRMAN

HOUSING FINANCE COMPANY OF KENYA LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 KShs'000	2013 KShs'000
Net cash flows from operating activities	<u>3,265,259</u>	<u>1,741,341</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(16,446)	(107,573)
Sale of Investments	173,259	-
Investment in joint venture	-	(104,100)
Capital work in progress	(177,210)	(192,263)
Proceeds from sale of equipment	60,092	4,025
Additions to intangible assets	(137,889)	(396,410)
Net cash flow from investing activities	(<u>98,194</u>)	(<u>796,321</u>)
FINANCING ACTIVITIES		
Employee Share Ownership Plan	5,100	4,700
Dividend paid	(405,940)	(311,052)
Net cash flow from financing activities	(<u>400,840</u>)	(<u>306,352</u>)
Net increase in cash and cash equivalents	<u>2,766,225</u>	<u>638,668</u>

HOUSING FINANCE COMPANY OF KENYA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital KShs'000	Revaluation reserve KShs'000	Share premium KShs'000	Proposed dividends KShs'000	Statutory credit risk reserve KShs'000	Retained profits KShs'000	Available-for- sale reserve KShs'000	Total KShs'000
2014:								
At 1 January 2014	1,155,350	512,331	1,554,523	231,070	238,371	2,096,597	20,515	5,808,757
Total comprehensive income for the year								
Net profit after taxation						975,336	-	975,336
Other comprehensive income								
Surplus on revaluation of land and buildings	-	226,161	-	-	-	-	-	226,161
Deferred tax on revaluation	-	(36,924)	-	-	-	-	-	(36,924)
Change in fair value of available-for-sale investment	-	-	-	-	-	-	(85,151)	(85,151)
Deferred tax on change in fair value of available-for-sale investment	-	-	-	-	-	-	19,391	19,391
Transfer from statutory credit risk reserve	-	-	-	-	(174,350)	174,350	-	-
Total comprehensive income	-	189,237	-	-	(174,350)	1,149,686	(65,760)	1,098,813
Transactions with owners, recorded directly in equity								
Employee Share Ownership Plan	2,550	-	2,550	-	-	-	-	5,100
Dividend paid – 2013	-	-	-	(231,070)	-	-	-	(231,070)
Interim dividend paid - 2014	-	-	-	-	-	(173,468)	-	(173,468)
Proposed dividends	-	-	-	173,685	-	(173,685)	-	-
Total transactions with owners for the year	2,550	-	2,550	57,385	-	(347,153)	-	(399,438)
Balance as at								
31 December 2014	1,157,900	701,568	1,557,073	173,685	64,021	2,899,130	(45,245)	6,508,132