

Audited Financial Statements For the Year Ended 31st December 2011



Housing Finance Bank

I. Auditors Report

We have audited the accompanying summary financial statements, which comprise the summary statement of financial position at 31 December 2011, the summary income statement, the summary consolidated statement of comprehensive income, the summary statement of changes in equity and the summary statement of the cash flows for the year then ended are derived from the audited financial statements of Housing Finance Bank Limited for the year ended 31 December 2011.

Directors' responsibilities for the Summary Financial Statements

The Company's directors are responsible for the preparation and fair presentation of a summary of the audited financial statements in accordance with the Financial Institutions (External auditors) Regulations, 2012 and Financial Institutions Act 2/2004.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Housing Finance Bank Limited for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010.

KPMG

Certified Public Accountants

III. Statement Of Comprehensive Income

	2011 Ushs '000	2010 Ushs '000
Income		
Interest on deposits and placements	2,250,395	797,557
Interest on loans and advances	53,389,972	35,689,431
Interest on investment securities	3,023,757	3,366,906
Foreign exchange income	882,846	364,653
Fee and commission income	6,054,196	4,557,964
Other income	1,102,861	349,863
Total income	66,704,027	45,126,374
Expenditure		
Interest expense on deposits	9,568,168	6,222,386
Interest expense on borrowings	10,966,127	6,535,043
Other interest expense	966,771	749,072
Impairment losses on loans and advances	2,476,086	1,350,163
Personnel costs	17,621,611	14,023,217
Other operating expenses	10,968,933	7,901,344
Depreciation and amortisation	3,775,907	2,807,111
Provision for litigation and damages	1,699,241	978,246
Revaluation	1,624,890	-
Other expenses	327,810	268,200
Total expenditure	59,995,544	40,834,782
Profit before income tax	6,708,484	4,291,592
Income tax expense	1,172,831	1,150,495
Net profit after tax	5,535,653	3,141,097
Other comprehensive income	3,246,930	(60,381)
Total comprehensive income	8,782,583	3,080,716

VI. Message from Directors

The above statement of financial position and statement of comprehensive income were audited by KPMG and received an unqualified opinion. The financial statements were approved by the Board of Directors on 12th April 2012 and discussed with the Bank of Uganda on 03 April 2012.

Mr. Keith Muhakanizi
Chairman

Mr. Nicholas Okwir
Managing Director

Mr. David G Opiokello
Director

Mr. Michael Mugabi
Secretary

II. Statement Of Financial Position As At 31 December 2011

	2011 Ushs '000	2010 Ushs '000
Assets		
Cash and balances with the Central Bank	28,911,133	19,148,345
Derivative assets	91,203	-
Treasury bills and other bills - Held to maturity	9,958,327	22,380,560
Investment in Government bonds - Held to maturity	22,650,601	31,459,351
Deposits due from other banking institutions	25,212,521	8,775,144
Loans and advances to customers	337,400,022	245,284,702
Tax recoverable	-	320,475
Other assets	10,937,625	7,579,606
Long term prepaid operating lease rentals	314,368	322,689
Property and equipment	28,483,201	24,033,611
Intangible assets	294,137	813,996
Total assets	464,253,138	360,118,479
Liabilities		
Derivative liabilities	102,287	-
Customer deposits	206,968,168	166,957,297
Deposits and balances due to banks	11,815,744	-
Other liabilities	14,105,952	11,081,309
PSHS collection account	18,173,686	16,699,087
NHCC collection account	23,382	69,514
Namuwongo collection account	399,303	457,781
Other Borrowed funds	110,642,150	69,978,081
Tax Payable	26,939	-
Deferred tax liability	2,073,291	1,850,757
Total liabilities	364,330,902	267,093,826
Shareholders' equity		
Share capital	61,000,000	61,000,000
Revaluation reserves	4,759,731	1,542,736
Retained profits	27,894,342	26,096,356
Proposed dividends	3,321,392	1,885,000
Regulatory general credit risk reserve	2,946,771	2,500,561
Total shareholders' equity	99,922,236	93,024,653
Total shareholders' equity and liabilities	464,253,138	360,118,479
Contra accounts		
Off balance sheet contingents and commitments	11,083,143	14,732,747

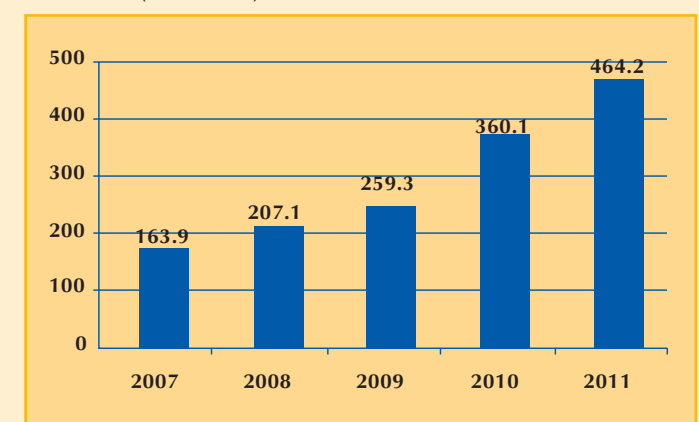
IV. Other Disclosures

	2011 Ushs '000	2010 Ushs '000
Contingent liabilities:		
Letters of credit	-	-
Guarantees and performance bonds	162,320	765,139
Other contingent liabilities	-	-
Total	162,320	765,139
Undrawn stand-by facilities:		
Undrawn credit lines	-	-
Capital Commitments	-	-
Other commitments to lend	10,920,823	13,967,608
Total	10,920,823	13,967,608
Non-performing loans and other assets	10,927,882	7,657,058
Interest in suspense	487,720	162,797
Bad debts written off	825,649	723,013
Large loan exposures	-	-
Insider loan exposures	16,396,301	12,512,978
Capital position		
Core capital	88,600,205	86,282,360
Supplementary capital	8,199,439	4,033,090
Total qualifying capital	96,799,644	90,315,450
Total risk weighted assets (RWA)	389,042,390	288,626,946
Core capital to RWA	22.77%	29.89%
Total qualifying capital to RWA	24.88%	31.29%

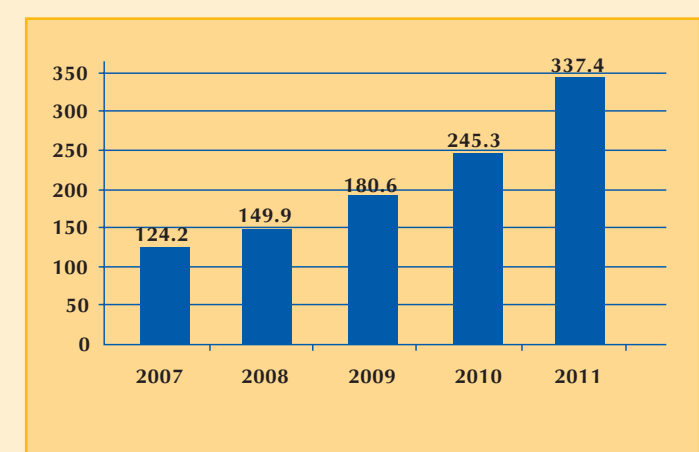
V. Key financial highlights

- The Bank continued to expand delivery channels and basic infrastructure and increased the branch network to 15 and ATM points to 19;
- The Bank's total assets grew by 28.9% to Ushs 464.2 billion (2010: Ushs 360.1 billion).
- Loans and advances to customers increased from Ushs 245.3 billion to Ushs 337.4 billion, a 37.6% growth over the year.
- Customer deposits increased from Ushs 167 billion to Ushs 207 billion, a 24% growth over the year.
- The Bank's total comprehensive income increased by 184% to Ushs 8.8 billion (2010: Ushs 3.1 billion).

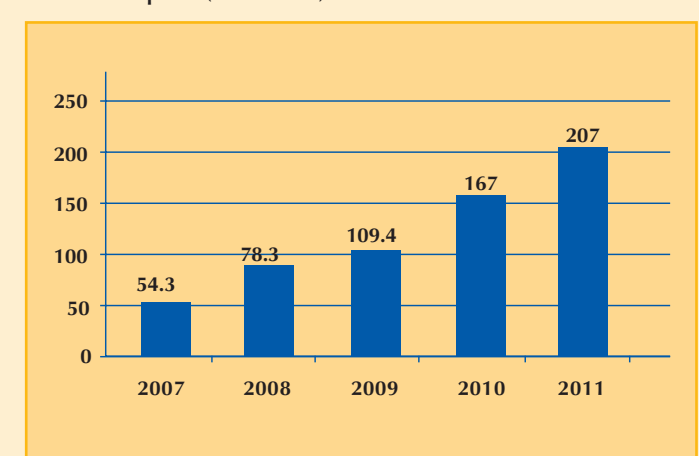
Total Assets (Ushs billion):



Loans and Advances (Ushs billion):



Customer Deposits (Ushs billion):



VII. Annual Certificate Of Responsibility For the Financial Year 2011

Further to the foregoing, we the undersigned of Housing Finance Bank Limited acknowledge the responsibility of safeguarding the assets of the Bank and hereby confirm that we have complied with the requirements under the Public Reform and Divestiture Act.

The Financial Statements for the year 2011 showing the opening results and status of affairs of the Bank for the period are to the best of our understanding a fair representation of the Bank's position and are free from material misstatement.