



Mr. Michael K. Mugabi
Managing Director

Managing Director's Statement

I am pleased to present you with our operating results and financial position for the year ended 31 December 2018. The attached financial statements reveal a continued growth trajectory for the Bank underpinned by a solid commitment to deliver the customer promise. Our operating income grew to Shs. 91.5 billion from Shs. 86 billion in 2017. Similarly, our net profit after tax grew to Shs. 20.9 billion up from Shs. 19.9 billion in the year 2017. The Bank also achieved a 19% growth in customer deposits and 12% growth in net loans and advances.

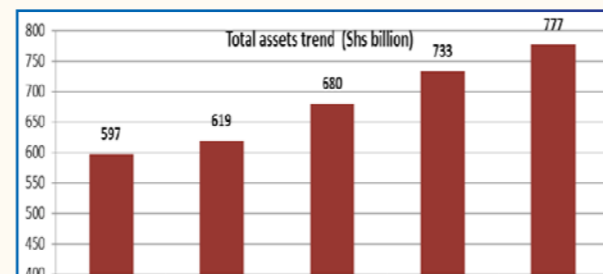
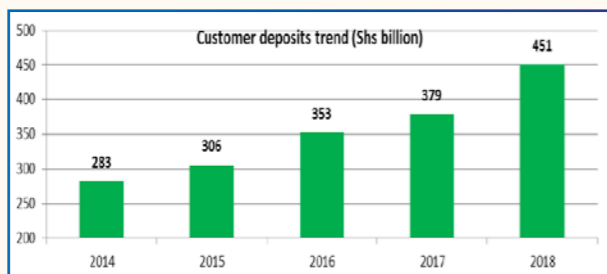
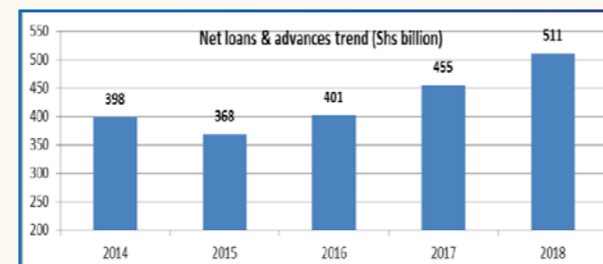
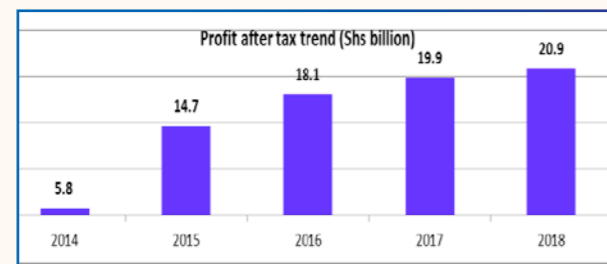
I take this opportunity to thank the Bank's customers, staff and Management and other stakeholders for the support rendered to the Bank; and the Board of Directors for their guidance and support over the year.

During the last year, the Bank continued to engage various stakeholders and key players in the operating environment in order to contribute towards the development of Uganda's housing sector. These engagements have facilitated a number of new developers to enter the affordable housing space and also supported the Bank to achieve its mandate in enabling homeownership and financial independence across the country.

Over the last 50 years, we have increasingly grown our service offering to the customer. The year ahead presents great prospects for us to increase the value service offering to our stakeholders.

Financial Performance Highlights

The Bank continued to post consistent growth in its financial performance year on year with an increase in profitability by 5% from Shs 19.9 billion in 2017 to Shs 20.9 billion in 2018, while net loans and advances to customers increased by 12% from Shs 455 billion in 2017 to Shs 511 billion in 2018. In addition, the Bank's Deposits from customers increased by 19% from Shs 379 billion in 2017 to Shs 451 billion in 2018 and the Bank's total assets increased by 6% from Shs 733 billion in 2017 to Shs 777 billion in 2018.



Driving Sustainability Through Community Involvement

As part of the Bank's mandate to contribute to sustainable growth and development within our communities of existence, Housing Finance Bank continues to engage in strategic stakeholder partnerships and contribute to community growth and development. Below is a highlight of some of the activities the Bank partook in 2018.

Blood Donation Week in Kampala, Mbarara and Jinja
The month of April 2018 saw the Bank partnering with the Uganda Blood Transfusion services in a blood donation drive across the country. The week long activity was held from April 23rd – 28th 2019 in the towns of Kampala, Jinja and Mbarara respectively.

In a bid to drive good health and well-being, a total of 977 units of blood was collected throughout this drive.



Zebra Crossing Painting in Mbarara
Furthermore, to promote sustainable cities and communities, the Bank contributed to the construction of 7 Zebra crossings in Mbarara town, an initiative that was aimed at promoting road safety within the respective community. This event was conducted in partnership with National Housing and Construction Company (NHCC) IN July 2018.



The Guest of Honour Prime Minister of Uganda 5th from the Left immediate right Mr Michael Mugabi and government dignitaries cut cake in celebration of 50 years of Housing Finance Bank on November 28th, 2018 at Kampala Serena Hotel.

Profit after tax increased by 5% from Shs 19.9 billion in 2017 to Shs 20.9 billion in 2018

Report Of The Independent Auditor On The Summary Financial Statements

Our Opinion

In our opinion, the accompanying summary financial statements of Housing Finance Bank Limited ("the Bank") for the year ended 31 December 2018 are consistent, in all material respects, with the audited financial statements of the Bank for the year ended 31 December 2018, in accordance with the Financial Institutions (External Auditors) Regulations, 2010 and the Financial Institutions Act.

The summary financial statements

The Bank's summary financial statements derived from the audited financial statements for the year ended 31 December 2018 comprise:

- the summary statement of financial position as at 31 December 2018;
- the summary statement of comprehensive income for the year then ended; and
- other disclosures.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards, the Financial Institutions Act and the Ugandan Companies Act. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements of the Bank for the year ended 31 December 2018 in our report

dated 28 April 2019. That report also includes the communication of a key audit matter. A key audit matter is that which in our professional judgement, is of most significance in our audit of the audited financial statements of the current period.

Management responsibility for the summary financial statements

Management is responsible for the preparation of the summary financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010 and the Financial Institutions Act.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

Ricardo S. Lopez

**Certified Public Accountants
Kampala
28 April 2019**

Statement Of Comprehensive Income

	2018	Restated 2017
	Shs '000	Shs '000
Income		
Interest on deposits and placements	1,234,605	2,588,109
Interest on loans and advances	88,568,147	78,203,656
Interest on investment securities	18,929,511	20,441,338
Trading income	2,608,421	3,090,251
Fee and commission income	8,735,811	8,742,876
Other income	742,537	472,388
Total income	120,819,032	113,538,618
Expenditure		
Interest expense on deposits	14,891,188	14,065,029
Interest expense on borrowings	12,684,241	11,756,382
Other interest expense	1,584,047	1,484,741
Impairment credit/losses on financial assets	(2,768,866)	249,485
Employee benefits and costs	37,235,395	33,013,914
Other operating expenses	23,681,139	20,910,928
Depreciation and amortisation	5,470,014	5,572,437
Provision for litigation and damages	273,728	614,216
Fees and commission expenses	192,357	207,024
Total expenditure	93,243,243	87,874,156
Profit before income tax	27,575,789	25,664,462
Income tax expense	6,667,530	5,678,218
Net profit after tax	20,908,259	19,986,244
Other comprehensive income		
Other comprehensive income (net of tax)	448,622	2,651,806
Total comprehensive income	21,356,881	22,638,050

Other Disclosures

	2018	Restated 2017
	Shs '000	Shs '000
Contingent liabilities:		
Letters of credit	-	-
Guarantees	5,212,887	3,501,398
Performance bonds	314,207	-
Total	5,527,094	3,501,398
Undrawn stand-by facilities:	1,948,947	-
Other commitments to lend	12,301,734	5,316,449
Total	19,777,775	8,817,847
Non-performing loans and other assets	20,666,157	18,669,315
Interest in suspense	1,676,820	1,303,551
Bad debts written off	6,881,576	5,313,411
Insider loan exposures	24,516,084	22,626,279
Capital position		
Core capital	111,238,480	108,428,552
Supplementary capital	10,587,208	12,926,665
Total qualifying capital	121,825,688	121,355,217
Total risk weighted assets (RWA)	634,768,657	521,031,824
Core capital to RWA	17.52%	20.81%
Total qualifying capital to RWA	19.19%	23.29%

Message From Directors

The above statement of financial position and statement of comprehensive income were audited by PricewaterhouseCoopers Certified Public Accountants and received an unqualified opinion. The financial statements were approved by the Board of Directors on 29 March 2019 and discussed with the Bank of Uganda on 17 April 2019.

Annual Certificate Of Responsibility For The Financial Year 2018

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 2018 showing the operating 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.

David G. Opiokello
Mr. David G. Opiokello
Chairman

Michael K. Mugabi
Mr. Michael K. Mugabi
Managing Director

Net loans and advances to customers increased by 12% from Shs 455 billion in 2017 to Shs 512 billion in 2018

Customer deposits increased by 19% from Shs 379 billion in 2017 to Shs 451 billion in 2018

Shareholders' equity increased by 3% from Shs 140 billion in 2017 to Shs 144 billion as at 31 December 2018