Pillar 3
Market Discipline Disclosures
as at December 31, 2024

Housing
Finance
Bank

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INTRODUCTION

Housing Finance Bank is a financial institution engaged in the business of commercial banking and the provision of related services and is regulated by the Bank of Uganda.

This report provides the Bank's Pillar 3 market discipline disclosures as at December 31, 2024.

The disclosures herein focus on the regulatory capital and risk exposures with the purpose of increasing transparency and confidence about the Bank's exposure to risk and the overall adequacy of its regulatory capital.

These disclosures can be accessed on the Bank's website, with cross reference in the other financial reports of the Bank as prescribed by the regulations. For further inquiries and clarifications, you may contact the Bank on the available communication channels.

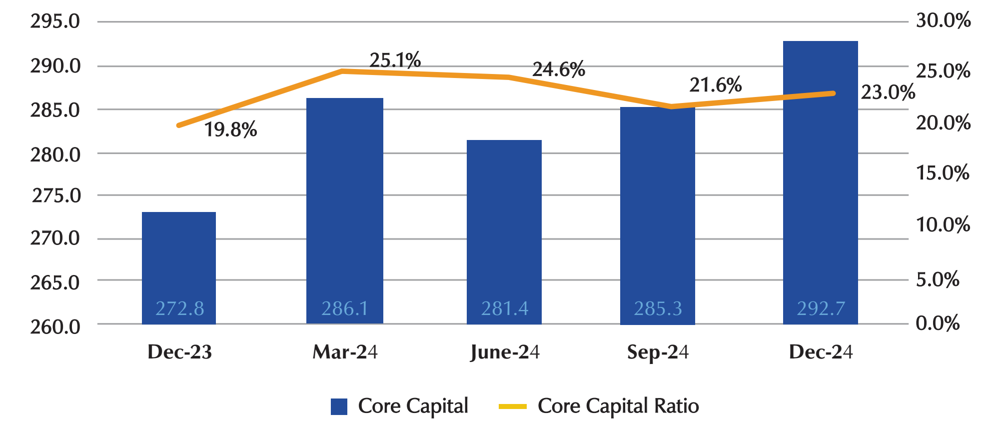
Certification of Pillar 3 Market Discipline Disclosure Report

Management and the Board of Directors confirm that the Pillar 3 Market Discipline Disclosure Report for the period ended December 31, 2024, has been prepared and verified in accordance with the Bank's policies on disclosures, its internal controls and the Bank of Uganda guidelines established. The Board is satisfied that the Bank's risk and capital management processes were operated effectively for the period under review, and the Bank is adequately capitalized and funded to support the execution of its strategy.
The information in this report is unaudited.

OVERALL TREND OF COMPLIANCE WITH CAPITAL REQUIREMENTS

The Bank continued to maintain adequate amounts of core capital over the last 5 quarters (Dec 2023 to Dec 2024) in excess of the required 12.5% (inclusive of the minimum capital conservation buffer of 2.5%) as reflected in the figure below.

1- Year trend of core capital (shs bn) and core capital ratio %



The indicated core capital position enables the Bank to absorb most of the stress-testing shocks, as well as support the Bank to focus on its core purpose of financing a sustainable future for all.

The Bank has a strategy for maintaining adequate capital levels consistent with its risk profile which considers the strategic focus, business plans and the control environment.

SUMMARY OF KEY REGULATORY METRICS

The following is the summary of the key regulatory metrics as at December 31, 2024 relative to the minimum prudential requirements – and the Bank was complying over the period.

Summary of Key Regulatory Metrics		Minimum	Dec 24	Sept 24	June 24
1	Core capital - (Ug.Shs billion)	120.0	292.7	285.3	281.4
2	Total risk-weighted assets - RWA - (Ug.Shs billion)	n/a	1,274.8	1,317.8	1,145.7
3	Core capital to RWA %	10.0%	23.0%	21.6%	24.6%
4	Basel III leverage coverage ratio %	6.0%	11.9%	11.5%	12.0%
5	Liquidity coverage ratio - LCR %	100%	194%	231%	194%
6	Net stable funding ratio - NSFR%	100%	122%	112%	127%

DIS01: KEY PRUDENTIAL METRICS – AS AT DECEMBER 31, 2024

	(Figures in Ushs. '000)	Dec 2024	Sept 2024	June 2024	March 2024	Dec 2023
	Available capital (amounts)					
1	Core capital	292,680,719	285,254,835	281,391,238	286,123,480	272,845,670
2	Supplementary capital	22,594,381	22,667,864	22,472,767	23,155,733	22,258,212
3	Total capital	315,275,099	307,922,699	303,864,005	309,279,214	295,103,882
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1,274,853,480	1,317,808,956	1,145,694,667	1,138,371,559	1,376,812,799
	Risk-based capital ratios as a percentage of RWA					
5	Core capital ratio (%)-minimum 10.22%	23.0%	21.6%	24.6%	25.1%	19.8%
6	Total capital ratio (%) -minimum 12.22%	24.7%	23.4%	26.5%	27.2%	21.4%
	Capital buffer requirements as a percentage of RWA					
7	Capital conservation buffer requirement (2.5%)	2.5%	2.5%	2.5%	2.5%	2.5%
8	Countercyclical buffer requirement (%)	-	-	-	-	-
9	Systemic buffer (for DSIBs) (%)	-	-	-	-	-
10	Total of capital buffer requirements (%) (row 7 + row 8 + row 9)	2.5%	2.5%	2.5%	2.5%	2.5%
11	Core capital available after meeting the bank's minimum capital requirements (%)	10.5%	9.1%	12.1%	12.6%	7.3%
	Basel III leverage ratio					
12	Total Basel III leverage ratio exposure measure	2,457,030,536	2,473,737,208	2,351,922,752	2,301,503,008	2,225,220,666
13	Basel III leverage ratio (%) (row 1 / row 13)	11.9%	11.5%	12.0%	12.4%	12.3%
	Liquidity coverage ratio					
14	Total high-quality liquid assets (HQLA)	452,771,938	412,215,988	399,645,304	417,241,137	376,573,576
15	Total net cash outflow	233,642,984	178,500,778	206,299,406	155,999,149	142,827,426
16	LCR (%)	194%	231%	194%	267%	264%
	Net stable funding ratio					
17	Total available stable funding	1,739,871,809	1,753,024,473	1,799,264,416	1,745,076,756	1,558,843,097
18	Total required stable funding	1,428,031,981	1,561,788,307	1,419,794,204	1,124,777,109	1,075,108,265
19	NSFR % - (Minimum - 100%)	122%	112%	127%	155%	145%

The available stable funding refers to the proportion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year, while required stable funding considers the maturity profiles of both on-and off-balance sheet exposures.

2.0 Risk Management Approach

The Bank takes the approach of identifying and assessing risks and opportunities that are in its internal and external environments and proactively identifying and mitigating emerging risks.

The Bank ensures effective risk management through:

i. Building a strong risk culture, which is integral to the Bank's culture.
ii. Assessing principal risks, assignment of risk ownership and accountability using appropriate risk practices, tools and techniques.
iii. Overseeing and managing assurance through a combined assurance model with clear accountability across the three lines of defense.
iv. Upholding the risk governance structure with clear Board escalation and oversight.
v. Complete and coordinated processes for evaluating, responding to and monitoring risks.
vi. Oversight of the bank wide assurance through a combined assurance approach with clear accountability across the three lines of defense.

2.1.1 Risk Governance

a. Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and policies.

The Board delegates its Risk Management oversight responsibilities to specific Board sub-committees which focus on different aspects of Risk Management. The full Board is regularly updated on the key risks facing the Bank and these are compared with the approved risk appetite and set targets. The Board Risk Management Committee is the main Board sub-committee with designated responsibilities for the oversight of Risk Management within the Bank.

The Board of Directors delegates its powers and authority to the Executive Committee of the Bank through the various management committees which are responsible for ensuring compliance with the Enterprise Risk Management Framework through the Management Risk and Compliance Committee which provides regular updates to the Executive Committee and the Board on the Bank's risk profile.

b. Board Risk Management Committee

The Board Risk Management Committee has the overall responsibility for the development of the risk strategies, frameworks, policies and limits, and for recommending these strategies and policies to the Board of Directors. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

c. Management Risk & Compliance Committee

The routine monitoring of risk has been delegated to the Management Risk and Compliance Committee by the Executive Committee. The Management Risk & Compliance Committee has the overall responsibility to support the Board Risk Management Committee for the development and formulation of the risk strategies, procedures, policies and limits. It is responsible for ensuring compliance with all risk limits, monitoring risk exposures and implementing the regulatory guidelines issued by the regulatory bodies.

d. Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk-related procedures to ensure risk remains within the acceptable range as approved by the Board Risk Management Committee. The department is responsible for Credit Risk, Market Risk, Operational Risk, Information Technology Risk, Fraud Risk and Overall Risk Control.

e. Compliance Department

The Compliance function manages the compliance risk of the Bank. The Compliance function reports to the Board, through the Board Risk Management Committee and has sufficient authority, independence, resources, and access to the Board. The Compliance function provides advice to the Board and management regarding the Bank's compliance with applicable laws, guidance and standards while providing support to comply with the same.

f. Internal Audit

nternal Audit provides independent assurance to the Board over the effectiveness of governance, risk management and control over current, systemic, and emerging/evolving risks.

g. Risk Champions

These are representatives of all departments and branches who are responsible for supporting the identification and reporting of risks in their domains and communicating the risk management vision to staff.

h. Three Lines of Defense and Combined Assurance Framework

The Bank utilizes the three lines of defense model in blend with the combined assurance model to control risk across all businesses and functions. There are specific responsibilities assigned to each line of defense. All employees are responsible for ensuring that the Bank operates within its risk appetite. These responsibilities are defined in terms of the employee's role in the three lines of defense.

1st Line of Defense	2nd Line of Defense	3rd Line of Defense
Business Functions	**Risk Management and Compliance Functions**	**Internal Audit & External Audit**
- Are responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them. - Risk ownership and management. - Escalation of risk events to Senior Managers, Risk Management and Compliance.	- Establishing guardrails with reference to the risk frameworks and policies under which first line activities are performed, consistent with the risk appetite of the Bank. - Perform assurance reviews of the first line against set limits. - Perform independent challenge of all risks in the first line, including an evaluation of the quality of the risk management being exercised by the first line.	- The Internal Audit function provides independent assurance that the Bank's risk management approach and processes are designed and operating effectively. - The Bank's external auditors also provide assurance on the financial reporting of the bank.

Combined Assurance is an integrated approach to risk management and governance in the Bank, where its three lines of defense combine to provide a comprehensive and holistic view of the risks and controls within the Bank. Combined assurance ensures that all relevant assurance activities, such as internal audits, risk management, compliance, and external audits, are aligned and work together effectively to address the bank's objectives and mitigate risks.

2.1.2 Risk Management Process

The Bank's risk management process is based on the ISO 31000 Risk Management standard where the risks are scrutinized within the operating environment of the bank. The Risk Management process is summarized below;

Risk Management Process	
Risk Assessment	• Adoption of a vigilant and ongoing process of risk identification to understand risk within its explicit and implicit objectives and maintains a comprehensive risk register including new and emerging risks. This identification process is driven by the risk management dvepartment in the Bank in coordination with all departments of the Bank, as supported by the risk champions in each department and branch. • Use of suitable tools for identifying risks such as stakeholder engagements, self-assessments, risk management forums, audit findings, industry benchmarking, review previous losses, and use of expert judgement. • Communicating and consulting with the relevant external and internal stakeholders in and throughout all steps of the risk management process. Communication involves obtaining feedback and information to support decision-making. • All staff of the Bank are responsible for risk management.
Risk Evaluation	• Measure risks in terms of impact and likelihood of occurrence • Categorization of the risks and matching them to an appropriate risk management process. • Assessing risks based on inherent and residual risks. Residual risk is benchmarked against the Bank's risk appetite to determine the need for further management intervention if necessary. • Analyzing the root causes of identified risk event and the cause and effect relationships. • Risk ranking to determine priorities.
Risk Treatment	• Determining the appropriate risk treatment, which includes preventive, detective and corrective controls and deciding whether the remaining risk is acceptable and taking further action if needed. • Automating controls where possible, especially preventive risks controls. • Reviewing stress/scenario testing in response to the development of new and unanticipated external risks. • Taking care that no unintended consequences exist, there can be scenarios where the actions taken to control one risk could introduce other risks or undermine existing controls. • Deep dives analyses for significant risk events.

Risk Management Process	
Continuous Monitoring	- Analyzing current risk profile and risk trends/events, using key risk indicators (KRIs) to understand changes in the risk environment, proactive monitoring of emerging risks that might impact business objectives and monitoring changes in risk materiality, likelihood and impact, and the appropriateness of existing controls. - Ensuring risks are maintained within set limits in the approved Risk Appetite statement. - Frequent and timely reviews applying a combined assurance model to boost overall assurance in the risk and control environment. - Checking that controls are functioning as intended and remain fit for purpose

2.2. Risk Appetite & Culture

2.2.1. Risk Appetite

This is the aggregate level and types of risk Housing Finance Bank is willing to accept in order to meet its strategic objectives. Risk Appetite reflects the risk management philosophy that the Board wants the Bank to adopt and, in turn, influences its risk culture, operating style and decision-making. The Risk appetite sets guardrails for risk taking and consists of a set of risk appetite statements, the governance processes through which the risk appetite is set, communicated, cascaded, monitored and reported on. It represents a balance between the potential benefits of innovation and the threats that change inevitably brings.

The Bank takes the approach of opportunities and risk appetite framework that aims to ensure that it maintains an appropriate balance between risk and reward. The targets and risk limits are set to ensure the Bank achieves its overall strategic objectives to; deliver long term stakeholder value, enable sustainable financial returns to shareholders and maintain balance sheet strength.

The Risk appetite statement is approved by the Board and Management reviews and reports on the Bank's Risk appetite indicators' performance against established limits and thresholds to the Board Risk Committee.

2.2.2. Risk Culture

HFB is cognizant of the fact that active risk management requires a strong and appropriate risk culture. It further recognizes the differences between corporate culture (being the Bank's guiding behavior) and risk culture (being the attitudes toward risk management). The risk culture is dependent on:

i. Leadership Commitment – Active Senior Management and Board involvement, clear risk appetite and risk ownership.
ii. Sound Governance Structure
iii. Risk Awareness and Education
iv. Integrated Risk Management Process
v. Open Communication
vi. Risk Culture Assessments and IVmprovements

2.3.1. Risk Data

HFB understands that in the fast paced and evolving financial industry, effective risk management goes in tandem with adopting appropriate technology and data. The Bank has made significant strides in enhancing how we manage and use risk data, ensuring that the information we depend on is not only accurate but also actionable. By leveraging technology, we can stay ahead of potential risks, make more informed decisions, and continue building a resilient and secure Bank for our customers and all stakeholders.

The key elements of our risk data governance approach are:

i. Data Quality and Integrity

Applying rigorous processes to ensure that the data used for risk management is reliable and accurate. This includes validation checks, regular audits, and reconciliation procedures to minimize data discrepancies.

ii. Data Classification and Security

Data is classified based on its sensitivity and subject to appropriate data security controls. Sensitive information, including customer data and proprietary risk models, is protected using encryption, access controls, and monitoring tools.

2.3.2. Risk Reporting

The purpose of risk reporting is to provide timely, accurate, comprehensive, and useful information to the Board and Senior Management to facilitate informed decision-making. Board and Management Risk and Compliance Committees determine their requirements in terms of content and frequency of reporting under both normal and stressed conditions. The risk reporting process flows from the Risk Management Department to the Management Risk & Compliance Committee then to the Board Risk Committee and the full Board. The content and level of aggregation are adjusted to suit the decision-making needs of the recipients. The risk management reports usually contain the following key information:

i. Monitoring and management of the risk profile and key risk metrics per risk type against risk appetite and forecasts, including trend analysis.
ii. Monitoring of emerging risks and changes in the environment while assessing the potential impact on the Bank.
iii. Results of stress testing exercises – both to assess the adequacy of capital and ability to meet its strategic objectives using sensitivity to stressed conditions.
iv. An assessment of the risk governance profile, including an assessment of the degree to which risk frameworks and policies are implemented throughout the bank and assurance activities.

2.3.3. Risk Technology

Housing Finance Bank invests in advanced technological infrastructure and systems to support robust risk management practices. The Bank's technology is used to ease the collection, processing, and analysis of risk data timely. In addition to enabling the effective management of risk, these technologies present opportunities for the automation of components of core business processes. The Bank is also focused on scaling the use of technology and advanced analytics for purposes of identifying risks and the creation of adapted interventions.

The Bank's systems and technology infrastructure are built with disaster recovery and business continuity capabilities. This ensures that critical risk data and risk management systems are available in the event of system failures or other external disruptions.

2.4. Stress Testing & Scenario Analysis

Stress testing and scenario analysis are key elements of the Bank's integrated planning and risk management processes. Using stress testing and scenario analysis, the Bank can assess the performance and resilience of its business in the expected economic environment and also evaluate the potential impact of adverse economic conditions, using and applying the information in the process of setting risk appetite. This is supported by a framework, policies, and procedures, adhering to internal and external stakeholder requirements, and benchmarked against best practices. The stress tests are based on stress scenarios at varying and sufficient degrees of severity and applying various projection techniques.

The Bank's Board is responsible for approving the stress testing framework through the stress testing policy.

From the regulatory perspective, stress testing and scenario analysis are core to the Bank's ICAAP, ILAAP and recovery plan. The ICAAP stress test covers material risks that the Bank is exposed to that would affect its capital position. The severity of the macroeconomic scenarios ranges from a mild downturn to severe stress scenarios. In addition to macroeconomic scenarios, the Bank includes the reverse stress test scenario that indicates contagion between risk types.

The ILAAP stress tests cover the material risks that impact the Bank's liquidity position and future funding.

Stress testing and scenario analysis provide the board and management with useful insight into the Bank's financial position, quantum of volatility in earnings, stressed risk profile and future capital position. Results are used to challenge and review certain of the group's risk appetite measures, which, over time, influence the allocation of financial resources across businesses and impact performance measurement.

2.5. Our Material Risks

Risk management is bank wide, applying to all entity levels and is a crucial element in the execution of our Bank's strategy. Our risk universe represents the risks that are core to our business. The Risk universe is reviewed annually, to identify and respond to any new key enterprise risks. These top enterprise risks require focused management because they represent potential material impacts to the Bank's strategy. We regularly scan the environment for changes to ensure that our risk universe remains relevant. The risk universe is managed through the lifecycle from identification to reporting.

2.5.1. Risk Types

Risk Type	Description
Credit Risk	• Default Risk • Concentration Risk • Country Risk • Counterparty Risk
Liquidity Risk	• Funding Liquidity Risk • Market Liquidity Risk
Operational Risk	• People And Ethical Risk • Internal And External Fraud Risk • Legal Risk • Business Resilience Risk • Process Risk • Third-Party Risk
Market Risk	• Interest Rate Risk In The Banking Book • Structural Foreign Exchange Risk

Cyber Risk	• Malware & Ransom Attacks • Phishing And Social Engineering Attacks • Third Party Vendor Risks • Data Leakage Or Improper Data Handling
Other Risks	• Strategic Risk • Compliance Risk • Environmental Social And Governance Risk • Reputational Risk

2.5.2. Risk Mitigation

As part of its overall risk management, the Bank uses various methods to manage exposures resulting from changes in credit risks, liquidity risks, market risks (including foreign exchange risk, and Interest rate risk), and operational risks.

The Bank manages its credit risk exposures by having detailed policies and procedures that guide the Bank's lending activities, rigorous credit assessments, portfolio diversification, use of credit enhancements such as insurance, guarantees to reduce credit risk and establishing credit limits for individual counterparties and monitor exposures on an ongoing basis to ensure they remain within acceptable risk thresholds.

To manage liquidity risk, management has diversified funding sources and maintained adequate liquidity buffers.

The market risks are managed through a combination of strategies and tools to minimize the impact of adverse market movements. Regular stress testing and scenario analysis are conducted to assess the potential impact of extreme market conditions on the bank's portfolio.

To manage all other risks, the Bank has developed a detailed risk management framework to identify and apply resources to mitigate the risks.

DIS03: OVERVIEW OF THE RISK WEIGHTED ASSETS (RWA) – AS AT DECEMBER 31, 2024

(Figures in Ushs. '000)		a	b	c
		RWA		Minimum Capital Requirements
		Dec 24	**Sept 24**	**Dec 24**
1	Credit risk (excluding counterparty credit risk)	1,117,884,300	1,067,927,566	134,146,116
2	Counterparty credit risk (CCR)	194,840	422,085	23,381
3	Market risk	65,942,025	165,677,456	7,913,043
4	Operational risk	90,832,315	83,781,850	10,899,878
5	**Total (1 + 2 + 3 + 4)**	**1,274,853,480**	**1,317,808,956**	**152,982,418**

Whereas the minimum capital requirement was Ushs. 152.9 billion as at December 31, 2024, the Bank held Ushs. 292.7 billion in core capital as at the same reporting date. The excess capital is held to absorb any shocks that may arise in severe stressful conditions and to support business growth in line with the Bank's growth strategy.

DIS04: COMPOSITION OF REGULATORY CAPITAL – AS AT DECEMBER 31, 2024

		Dec 2024	June 2024
		Ushs. '000	**Ushs. '000**
	Common Equity Tier 1 Capital: Instruments and Reserves		
1	Permanent shareholders equity (issued and fully paid-up common shares)	158,600,000	158,600,000
2	Share premium	-	-
3	Retained earnings	143,886,048	144,114,611
4	Net after tax profits current year-to date (50% only)	31,011,382	11,333,124
5	General reserves (permanent, unencumbered and able to absorb losses)	-	-
6	**Tier 1 Capital Before Regulatory Adjustments**	**333,497,430**	**314,047,735**
	Tier 1 Capital: Regulatory Adjustments		
8	Goodwill and other intangible assets	35,416,710	27,421,954
9	Current year's losses	-	-
11	Investments in unconsolidated financial subsidiaries	-	-
12	Deficiencies in provisions for losses	-	-
13	Other deductions determined by the Central bank	5,234,543	5,234,543
14	Other deductions determined by the Central bank	165,458	-
15	**Total Regulatory Adjustments to Tier 1 Capital**	**40,816,711**	**32,656,497**
16	**Tier 1 Capital**	**292,680,719**	**281,391,238**
	Tier 2 Capital: Supplementary Capital		
17	Revaluation reserves on fixed assets	11,555,191	12,103,386
18	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	11,039,190	10,369,381
19	Hybrid capital instruments	-	-
20	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	-	-
21	**Tier 2 Capital**	**22,594,381**	**22,472,767**
22	**Total Regulatory Capital (= Tier 1 + Tier2)**	**315,275,099**	**303,864,005**
23	**Total Risk-Weighted Assets**	**1,274,853,480**	**1,145,694,667**
	Capital Adequacy Ratios and Buffers		
24	**Tier 1 Capital (as a percentage of risk-weighted assets)**	**23.0%**	**24.6%**

		Dec 2024	June 2024
		Ushs. '000	Ushs. '000
25	**Total Capital (as a percentage of risk-weighted assets)**	**24.7%**	**26.5%**
26	**Total Institution-Specific Buffer Requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets)**	**12.50%**	**12.50%**
27	Of Which: Capital Conservation Buffer Requirement	2.50%	2.50%
28	Of Which: Countercyclical Capital Buffer Requirement	-	-
29	Of Which: Bank Specific Systemic Risk Buffer Requirement	-	-
30	**Tier 1 Capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**10.5%**	**12.1%**
	Minimum Statutory Ratio Requirements		
31	Tier 1 Capital Adequacy Ratio	**10.00%**	**10.00%**
32	Total Capital Adequacy Ratio	**12.00%**	**12.00%**

DIS05: CREDIT QUALITY OF ASSETS – AS AT DECEMBER 31, 2024

		a	b	c	d	e	f
		Gross carrying values of:		Provisions as per FIA2004/MDIA2003		Interest in suspense	Net values (FIA/MDIA)
		Defaulted exposures	Non-defaulted exposures	Specific	General		(a+b-d-e)
1	Loans and advances	70,913,738	1,054,659,675	27,237,665	11,039,190	5,346,663	1,081,949,895
2	Debt securities						
3	Off-balance sheet exposures		55,909,970				55,909,970
	Total	**70,913,738**	**1,110,569,645**	**27,237,665**	**11,039,190**	**5,346,663**	**1,137,859,865**

As at December 31, 2024, the non-defaulted exposures amounted to Ushs 1,110 billion equivalent to 94% of the gross exposures, reflecting a relatively good and stable asset quality in the post COVID-19 business environment.

DIS06: CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES – DECEMBER 31, 2024

		December 2024	June2024
		Ushs. '000	Ushs. '000
1	**Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the previous reporting period**	**84,646,836**	**57,388,142**
2	Loans and debt securities that have defaulted since the last reporting period	29,767,146	45,798,838
3	Returned to non-defaulted status	23,626,037	10,974,770
4	Amounts written off	19,874,207	7,565,374
5	Other changes		
6	**Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the reporting period** (1+2-3-4+5)	**70,913,738**	**84,646,836**

DIS07: QUALITATIVE DISCLOSURE ON USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

Majority of the Housing Finance Bank Uganda's borrowers are not rated by external credit assessment institutions since they are SMEs, local corporates and Individual Borrowers. Credit ratings are assigned to a few global entities. However, the External Credit Ratings are applied to the Bank's market segments of Credit Linked Investments and in assessing country risk using the Credit risk ratings to determine the maximum levels of risk exposures to these underlying entities. The tool uses audited financial statements for each obligor to arrive at financial spreads and qualitative data which is used to generate risk grading and scores that inform the Bank's lending decisions. The Bank converts the external rating grades across External Credit Assessment Institutions as per the Bank of Uganda Guidelines on the Recognition and Use of External Credit Assessment Institutions to obtain the risk rating of its different counterparties.

We hereby attest that to the best of our knowledge, the information contained in this Pillar 3 Market Discipline Disclosures report as at December 31, 2024 have been prepared in accordance with the board-agreed internal control processes and are a fair presentation of the Bank's position.

Ms. Josephine N. Mukumbya
Interim Board Chairperson

Mr. Michael K. Mugabi
Managing Director