Housing Finance Bank

Pillar 3
Market Discipline Disclosures
as at June 30, 2025

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INTRODUCTION

This report sets out the Bank's disclosures in accordance with the Bank of Uganda **Pillar 3 Market Discipline: Guidelines on Disclosure Requirements.**

The Pillar 3 Disclosure Requirements are designed to promote transparency and market discipline by providing market participants with key quantitative and qualitative disclosures regarding the Bank's risk exposure and risk management processes. Pillar 3 complements the minimum capital requirements described under Pillar 1, as well as the supervisory processes of Pillar 2.

The Pillar 3 Risk Management Report provides a quarterly view of Housing Finance Bank's regulatory capital and risk exposures in accordance with the Pillar 3 Market Discipline Disclosure Requirements under the Basel II accord.

The Bank's Board of directors has overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Board is supported by Executive Level Committees which are responsible for identifying, monitoring and managing the Bank's risk through the Risk Management Framework.

Board attestation

The Board attests that the Pillar 3 Market Discipline Disclosure Reports for Quarter 2 2025 have been prepared in accordance with Bank of Uganda's Pillar 3 Market Discipline disclosure guidelines and Board agreed internal processes. The Pillar 3 disclosures have been duly published on the Housing Finance Bank's website.

Ms. Josephine N. Mukumbya
Board Chairperson

Mr. Michael K. Mugabi
Managing Director

KEY PRUDENTIAL REGULATORY METRICS

DIS01: Key Prudential Metrics

The table below highlights regulatory capital, leverage and liquidity prudential metrics.

	(Figures in Ushs '000)	Jun 2025	Mar 2025	Dec 2024	Sept 2024	Jun 2024
	Available capital (amounts)					
1	Core capital	297,934,844	292,587,108	292,680,719	285,254,835	281,391,238
2	Supplementary capital	23,424,181	23,029,276	22,594,381	22,667,864	22,472,767
3	Total capital	321,359,025	315,616,384	315,275,099	307,922,699	303,864,005
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1,464,774,048	1,362,476,368	1,274,853,480	1,317,808,956	1,145,694,667
	Risk-based capital ratios as a percentage of RWA					
5	Core capital rato (%)	20.34%	21.50%	23.00%	21.60%	24.60%
6	Total capital ratio (%)	21.94%	23.20%	24.70%	23.40%	26.50%
	Capital buffer requirements as a percentage of RWA					
7	Capital conservation buffer requirement (2.5%)	2.50%	2.50%	2.50%	2.50%	2.50%
8	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Systemic buffer (for DSIBs) (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Total of capital buffer requirements (%) (row 7 + row 8 + row 9)	2.50%	2.50%	2.50%	2.50%	2.50%
11	Core capital available after meeting the bank's minimum capital requirements (%)	7.80%	9.00%	10.50%	9.10%	12.10%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	2,765,632,784	2,531,755,702	2,457,030,536	2,473,737,208	2,351,922,752
14	Basel III leverage ratio (%) (row 1 /row 13)	10.80%	11.60%	11.90%	11.50%	12.00%
	Liquidity Coverage Ratio					
16	Total high-quality liquid assets (HQLA)	330,325,737	249,686,851	452,771,938	412,215,988	399,645,304
17	Total net cash outflow	179,723,737	201,121,012	233,642,984	178,500,778	206,299,406
18	LCR (%)	184%	124%	194%	231%	194%
	Net Stable Funding Ratio					
20	Total available stable funding	1,667,250,735.89	1,779,918,898	1,739,871,809	1,753,024,473	1,799,264,416
21	Total required stable funding	1,533,275,591.30	1,475,115,239	1,428,031,981	1,561,788,307	1,419,794,204
22	NSFR % - (Minimum - 100%)	109%	121%	122%	112%	127%

DIS03: Overview of RWA

	Risk Type	RWA		Minimum capital requirements
		Ug. Shs '000		
		June 2025	March 2025	June 2025
1	Credit risk (excluding counterparty credit risk)	1,256,470,378	1,196,346,111	150,776,445
2	Counterparty credit risk (CCR)	286,588	323,139	34,391
3	Market risk	135,169,012	101,605,063	16,220,281
4	Operational risk	72,848,071	64,202,056	8,741,768
5	**Total (1 + 2 + 3 + 4)**	**1,464,774,048**	**1,362,476,368**	**175,772,886**

DIS04: COMPOSITION OF REGULATORY CAPITAL

	Common Equity Tier 1 capital: instruments and reserves	June 2025
		Ug. Shs '000
1	Permanent shareholders equity (issued and fully paid-up common shares)	158,600,000
2	Share premium	-
3	Retained earnings	183,342,760
4	Net after tax profits current year-to date (50% only)	14,762,747
5	General reserves (permanent, unencumbered and able to absorb losses)	-
6	**Tier 1 capital before regulatory adjustments**	**356,705,507**
	Tier 1 capital: regulatory adjustments	
7	Goodwill and other intangible assets	40,828,716
8	Current year's losses	-
9	Investments in unconsolidated financial subsidiaries	-
10	Deficiencies in provisions for losses	-
11	Other deductions determined by the Central bank	17,941,946
13	**Total regulatory adjustments to Tier 1 capital**	**58,770,662**
14	**Tier 1 capital**	**297,934,844**
	Tier 2 capital: Supplementary capital	
15	Revaluation reserves on fixed assets	11,334,568
16	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	12,089,612
17	Hybrid capital instruments	-
18	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	-
19	**Tier 2 capital**	**23,424,180.55**
20	**Total regulatory capital (= Tier 1 + Tier2)**	**321,359,025**
21	**Total risk-weighted assets**	**1,464,774,048**
	Capital adequacy ratios and buffers	
22	**Tier 1 capital (as a percentage of risk-weighted assets)**	**20.34%**
23	**Total capital (as a percentage of risk-weighted assets)**	**21.94%**

		June 2025
		Ug. Shs '000
24	**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%**
25	Of which: capital conservation buffer requirement	2.50%
26	Of which: countercyclical capital buffer requirement	
27	Of which: bank specific systemic risk buffer requirement	
28	**Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**7.80%**
	Minimum statutory ratio requirements	
29	Tier 1 capital adequacy ratio	**10.00%**
30	Total capital adequacy ratio	**12.00%**

CREDIT RISK

DIS05: ASSET QUALITY

The credit quality of the Bank's on and off balance sheet exposures is shown below:

		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	77,231,887	1,159,728,336	32,072,280	12,089,612	7,896,638	1,184,901,692
2	Debt securities	-	698,923,714	-			698,923,714
3	Off-balance sheet exposures	-	122,833,042	-			122,833,042
4	**Total**	**77,231,887**	**1,981,485,092**	**32,072,280**	**12,089,612**	**7,896,638**	**2,006,658,448**

DIS06: CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

The table below highlights the changes in the Bank's stock of defaulted exposures, the flows between non defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write offs.

		June 2025 Ug. Shs '000
1	**Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the previous reporting period**	**70,913,739**
2	Loans and debt securities that have defaulted since the last reporting period	37,559,579
3	Returned to non-defaulted status	25,227,245
4	Amounts written off	6,014,186
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)**	**77,231,887**

APPENDIX

LIQUIDITY RISK MANAGEMENT

Strategy For Managing Liquidity Risk

The bank's Liquidity Risk Management Strategy has been designed to ensure that it maintains sufficient, diversified, and stable funding sources to meet its financial obligations as they fall due, under both normal and stressed conditions.

The strategy emphasizes:

- Maintaining a buffer of High Quality Liquid Assets (HQLA).
- Intra-day cash flow management.
- Liquidity risk appetite setting and monitoring.
- Liquidity stress testing and forecasting.
- Diversification of funding sources.
- Recoveries and collections from the loan portfolio.
- Focus on preserving depositor and market confidence.

GOVERNANCE OF LIQUIDITY RISK

The bank's Liquidity Risk Governance is embedded within the Bank's overall risk management framework. The Board Assets and Liabilities Committee (BALCO) is in charge of determining and approving the bank's approach to liquidity management. It approves the liquidity risk appetite, policy formulation, limit setting, and stress testing assumptions, which are reviewed regularly to ensure alignment with the Bank's risk appetite.

INTERACTION OF THE LIQUIDITY RISK MANAGEMENT FUNCTION WITH OTHER FUNCTIONAL AREAS

The Liquidity Risk Management Function works collaboratively across multiple departments to ensure an integrated approach. The bank uses the three lines of defence model to manage liquidity risk.

Under the first line of defence:

(i) The Finance Department provides forecasts and funding needs through budget and cash flow projections

(ii) The Treasury Department manages daily funding and investment of surplus liquidity

(iii) The Business Units provide insights on pipeline transactions and client behaviour.

In the second line of defence, the Risk Management Department conducts liquidity stress scenario setting and testing, as well as highlighting limit breaches. The second line will recommend areas for improvement within the first line activities.

The Internal Audit Department conducts independent assurance of the liquidity risk management framework.

This cross-functional engagement supports timely decision making and alignment with the Bank's strategic goals.

STRESS TESTING AND FORECASTING FRAMEWORK

The Bank conducts regular liquidity stress tests based on both idiosyncratic and market wide scenarios, incorporating assumptions such as withdrawal of large deposits, restricted interbank access, and market illiquidity. The results are reviewed by both Management and Board ALCO and used to refine the contingency funding plan. Forecasting of liquidity positions considers both contractual and behavioural cash flows and is performed under both baseline and stressed conditions to ensure early warning of potential shortfalls in liquidity.

KEY LIQUIDITY RATIOS

- **Liquid Assets To Total Deposits Ratio**
  During the reporting period ended 30th June 2025, the ratio of liquid assets to total deposits was 27.66%, reflecting an increasing trend. The key drivers of changes included: an increase in customer deposit inflows coupled with an increase in balances with the Central Bank and management of short-term funding maturities to improve liquidity buffers.

- **The Liquidity Coverage Ratio (LCR)**
  The Liquidity Coverage Ratio (LCR) for the period ended 30th June 2025 was 184% and it exceeded the minimum requirement of 100%. Upward movement in the LCR quarter on quarter was driven by active management of the stock of High-Quality Liquid Assets (HQLA), mainly the balances with the Central Bank and growth in customer deposits.

- **Net Stable Funding Ratio (NSFR)**
  The Bank maintained a Net Stable Funding Ratio (NSFR) of 109%, in compliance with regulatory minimum of 100%. This reflects a sound funding profile with long term stability. The movement in the NSFR quarter on quarter was influenced by growth in long term lending assets. The Bank continues to optimize its funding mix to enhance long term resilience.

Housing Finance Bank is regulated by Bank of Uganda. Customer deposits are protected by the Deposits Protection Fund up to UGX 10 million. Terms and Conditions apply.