



Housing
Finance
Bank

Pillar 3

Market Discipline Disclosures

as at Sept 30, 2025

TABLE OF CONTENTS

- INTRODUCTION** 3
- KEY PRUDENTIAL REGULATORY LIMITS**
- DIS01: KEY PRUDENTIAL METRICS 4
- CAPITAL AND RISK WEIGHTED ASSETS**
- DIS03: OVERVIEW OF RWA 5
- APPENDIX**
- LIQUIDITY RISK MANAGEMENT 6
- GOVERNANCE OF LIQUIDITY RISK 6
- INTERACTION OF THE LIQUIDITY RISK MANAGEMENT
FUNCTION WITH OTHER FUNCTIONAL AREAS 7
- STRESS TESTING AND FORECASTING FRAMEWORK 8
- KEY LIQUIDITY RATIOS 8



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 3 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) | Sept 2025 | Jun 2025 | Mar 2024 | Dec 2025 | Sept 2024 |
|----|--|---------------|------------------|---------------|---------------|---------------|
| | Available capital (amounts) | | | | | |
| 1 | Core capital | 314,671,400 | 294,001,014 | 292,587,108 | 292,680,719 | 285,254,835 |
| 2 | Supplementary capital | 23,352,964 | 23,424,181 | 23,029,276 | 22,594,381 | 22,667,864 |
| 3 | Total capital | 338,024,364 | 317,425,194 | 315,616,384 | 315,275,099 | 307,922,699 |
| | Risk-weighted assets (amounts) | | | | | |
| 4 | Total risk-weighted assets (RWA) | 1,310,924,565 | 1,472,774,048 | 1,362,476,368 | 1,274,853,480 | 1,317,808,956 |
| | Risk-based capital ratios as a percentage of RWA | | | | | |
| 5 | Core capital ratio (%) | 24.00% | 20.00% | 21.50% | 23.00% | 21.60% |
| 6 | Total capital ratio (%) | 25.79% | 21.60% | 23.20% | 24.70% | 23.40% |
| | 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 (%) | 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) | 2.5% | 2.50% | 2.50% | 2.50% | 2.50% |
| 11 | Core capital available after meeting the bank's minimum capital requirements (%) | 11.5% | 7.50% | 9.00% | 10.50% | 9.10% |
| | Basel III leverage ratio | | | | | |
| 13 | Total Basel III leverage ratio exposure measure | 2,557,715,794 | 2,765,632,784 | 2,531,755,702 | 2,457,030,536 | 2,473,737,208 |
| 14 | Basel III leverage ratio (%) (row 1 /row 13) | 12.3% | 10.6% | 11.6% | 11.9% | 11.5% |
| | Liquidity Coverage Ratio | | | | | |
| 16 | Total high-quality liquid assets (HQLA) | 292,892,281 | 330,325,737 | 249,686,851 | 452,771,938 | 412,215,988 |
| 17 | Total net cash outflow | 186,925,094 | 179,723,737 | 201,121,012 | 233,642,984 | 178,500,778 |
| 18 | LCR (%) | 157% | 184% | 124% | 194% | 231% |
| | Net Stable Funding Ratio | | | | | |
| 20 | Total available stable funding | 1,757,481,246 | 1,667,250,735.89 | 1,779,918,898 | 1,739,871,809 | 1,753,024,473 |
| 21 | Total required stable funding | 1,383,270,448 | 1,533,275,591.30 | 1,475,115,239 | 1,428,031,981 | 1,561,788,307 |
| 22 | NSFR % - (Minimum - 100%) | 127% | 109% | 121% | 122% | 112% |



CAPITAL & RISK WEIGHTED ASSETS (RWA)

DIS03: Overview of RWA

| Risk Type | | RWA | | Minimum capital requirements |
|-----------|--|----------------------|----------------------|------------------------------|
| | | Ug. Shs '000 | | |
| | | Sept 25 | June 25 | Sept 25 |
| 1 | Credit risk (excluding counterparty credit risk) | 1,203,551,763 | 1,256,470,378 | 146,366,208 |
| 2 | Counterparty credit risk (CCR) | 156,834 | 286,588 | 18,820 |
| 3 | Market risk | 24,369,005 | 135,169,012 | 2,924,281 |
| 4 | Operational risk | 82,846,962 | 72,848,071 | 9,941,635 |
| 5 | Total (1 + 2 + 3 + 4) | 1,310,924,565 | 1,464,774,048 | 159,250,944 |



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) to meet short term obligations
- Effective Intra-day cashflow management to support payment and settlement obligations
- Setting and monitoring a clearly defined liquidity risk appetite that is aligned with the Bank's overall risk tolerance.
- Liquidity stress testing and forecasting.
- Diversification of funding sources to reduce reliance on concentrated deposits.
- Sustained recoveries and collections from the loan portfolio that enhances internal liquidity generation.
- Preserving market and depositor confidence through proactive communication and sound governance.

GOVERNANCE OF LIQUIDITY RISK

The liquidity risk governance is anchored within the Bank's overall risk management framework. The Board Assets and Liabilities Committee (BALCO) provides oversight and strategic direction by:

- Approving the Bank's liquidity risk appetite, policies, and limit structures.
- Reviewing stress testing methodologies and results that ensures the adequacy of the contingency funding framework.
- Ensuring the Bank's liquidity management approach remains aligned with evolving regulatory expectations and market dynamics.

At the management level, the Management Assets and Liabilities Committee (MALCO) oversees the day-to-day implementation of liquidity policies, balance sheet optimization, and compliance with internal and regulatory limits.



INTERACTION OF THE LIQUIDITY RISK MANAGEMENT FUNCTION WITH OTHER FUNCTIONAL AREAS

Liquidity risk management operates through three lines of defence model to ensure an integrated and coordinated approach:

First line of defence:

- The Finance department provides funding forecasts, budget projections and cash flow analysis.
- The Treasury department manages daily liquidity, investment of surplus liquidity and ensures adequate liquidity buffers
- The business units provide insights on transaction pipelines and customer behavior insights to support liquidity forecasting.

Second line of defence:

The Risk Management department conducts liquidity stress testing, monitors limit adherence, and provides recommendations for improvement.

The Compliance Department monitors regulatory compliance and advises on regulatory interpretation.

Third line of defence:

The internal audit department provides independent assurance on the adequacy and effectiveness 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 covering both idiosyncratic and market-wide scenarios. These tests incorporate assumptions such as large-depositor withdrawals, reduced interbank access, and market illiquidity. The results are reviewed by Management ALCO and Board ALCO and used to refine the Contingency Funding Plan (CFP) to enhance liquidity preparedness.

Liquidity forecasting considers both contractual and behavioural cash flow patterns under baseline and stressed environments to ensure early detection of potential liquidity gaps. This proactive approach supports informed decision-making and reinforces the Bank's capacity to maintain a resilient liquidity position.

KEY LIQUIDITY RATIOS

Liquid Assets to Total Deposits Ratio

During the reporting period ended 30th September 2025, the ratio of liquid assets to total deposits was 24% above the regulatory minimum of 20%, however, it reflects a decreasing trend. The key driver of change was a reduction in balances with the central bank. The Bank continues to manage short-term funding maturities to improve liquidity buffers.

The liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) for the period ending 30th September 2025 was 157% above the minimum requirement of 100%. The downward movement in the LCR quarter on quarter was driven by a reduction in the stock of high-quality liquid assets (HQLA), mainly the balances with the Central Bank.

Net Stable Funding Ratio (NSFR)

The Bank maintained a Net Stable Funding Ratio (NSFR) of 127%, in compliance with the regulatory minimum of 100%. This reflects a sound funding profile with long term stability. The upward movement in the NSFR quarter on quarter was influenced by growth in core deposits as a result of its deposit mobilization efforts.



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.