Housing Finance Bank

Pillar 3

Market Discipline Disclosures

as at June 30, 2026

REPORT CONTENTS

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 establishing and overseeing 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 Report for Quarter 2 2026 has been prepared in accordance with Bank of Uganda's Pillar 3 Market Discipline disclosure guidelines and Board approved internal processes. The Pillar 3 Disclosures have been duly published on the Housing Finance Bank's website.

Ms. Annette W. Kihuguru
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)	June 2026	Mar 2026	Dec 2025	Sept 2025	June 2025
AVAILABLE CAPITAL (AMOUNTS)						
1	Core Capital	360,005,698	385,877,339	325,340,053	314,671,400	297,934,844
2	Supplementary Capital	24,134,209	23,968,230	23,428,692	23,352,964	23,424,181
3	Total Capital	384,139,907	409,845,568	348,768,745	338,024,364	321,359,025
RISK-WEIGHTED ASSETS (AMOUNTS)						
4	Total Risk-Weighted Assets (RWA)	1,481,238,352	1,414,297,197	1,338,894,808	1,310,924,565	1,464,774,048
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA						
5	Core Capital Ratio (%) - Minimum 10.22%	24.30%	27.28%	24.30%	24.00%	20.34%
6	Total Capital Ratio (%) - Minimum 12.22%	25.93%	28.98%	26.05%	25.79%	21.94%
CAPITAL BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA						
7	Capital Conservation Buffer Requirement (2.5%)	2.5%	2.5%	2.5%	2.50%	2.5%
8	Countercyclical Buffer Requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
9	Systemic Buffer (For Dsibs) (%)	0.0%	0.0%	0.0%	0.0%	0.0%
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 (%)	11.8%	14.8%	11.8%	11.5%	7.8%
BASEL III LEVERAGE RATIO						
12	Total Basel III Leverage Ratio Exposure Measure	3,446,075,834	2,869,988,313	2,692,560,914	2,557,715,794	2,765,632,784
13	Basel III Leverage Ratio (%) (Row 1 / Row 13)	10.4%	13.4%	12.1%	12.3%	10.8%
LIQUIDITY COVERAGE RATIO						
14	Total High-Quality Liquid Assets (HQLA)	912,047,588	480,945,037	541,336,033	292,892,281.41	330,325,734.68
15	Total Net Cash Outflow	348,821,090	227,209,353	173,826,810	186,925,094.23	179,723,736.93
16	LCR (%)	261%	212%	311%	157%	184%
NET STABLE FUNDING RATIO						
17	Total Available Stable Funding	2,423,807,663	2,040,815,488	1,985,658,077	1,757,481,246.46	1,667,250,735.89
18	Total Required Stable Funding	1,564,462,090	1,478,279,091	1,444,566,513	1,383,270,447.57	1,533,275,591.30
19	NSFR % - (Minimum - 100%)	155%	138%	127%	127%	109%

CAPITAL & RISK WEIGHTED ASSETS (RWA)

DIS03: Overview of RWA

	Risk Type	RWA Ug. Shs '000		Minimum Capital Requirements
		June 26	Mar 26	June 26
1	Credit Risk (Excluding Counterparty Credit Risk)	1,354,642,734	1,220,446,869	162,557,128
2	Counterparty Credit Risk (CCR)	19,385	-	2,326
3	Market Risk	18,494,440	100,065,127	2,219,333
4	Operational Risk	108,081,793	93,785,201	12,969,815
5	**Total** (1 + 2 + 3 + 4)	**1,481,238,352**	**1,414,297,197**	**177,748,602**

DIS04: Composition of Regulatory Capital

	Common Equity Tier 1 capital: instruments and reserves	June 2026 Ug. Shs '000
1	Permanent shareholders' equity (issued and fully paid-up common shares)	158,600,000
2	Share premium	-
3	Retained earnings	238,088,453
4	Net after-tax profits current year-to date (50% only)	22,069,894
5	General reserves (permanent, unencumbered and able to absorb losses)	-
6	**Tier 1 capital before regulatory adjustments**	**418,758,347**
	Tier 1 capital: regulatory adjustments	
7	Goodwill and other intangible assets	40,622,124
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	18,130,524
12	**Total regulatory adjustments to Tier 1 capital**	**58,752,649**
13	**Tier 1 capital**	**360,005,698**
	Tier 2 capital: supplementary capital	
14	Revaluation reserves on fixed assets	10,893,323
15	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	13,240,885
16	Hybrid capital instruments	-
17	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	-
18	**Tier 2 capital**	**24,134,209**
19	**Total regulatory capital (= Tier 1 + Tier 2)**	**384,139,907**
20	**Total risk-weighted assets**	**1,481,238,352**
	Capital adequacy ratios and buffers	
21	**Tier 1 capital (as a percentage of risk-weighted assets)**	**24.30%**
22	**Total capital (as a percentage of risk-weighted assets)**	**25.93%**

23	**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%**
24	Of which: capital conservation buffer requirement	2.50%
25	Of which: countercyclical capital buffer requirement	
26	Of which: bank specific systemic risk buffer requirement	
27	**Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**11.8%**
	Minimum statutory ratio requirements	
28	Tier 1 capital adequacy ratio	10%
29	Total capital adequacy ratio	12%

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	69,264,895	1,281,619,709	32,226,558	13,240,885	7,679,289	1,297,737,872
2	Debt securities	-	837,047,401	-	-	-	837,047,401
3	Off-balance sheet exposures	-	84,196,164	-	-	-	84,196,164
4	**Total**	**69,264,895**	**2,202,863,274**	**32,226,558**	**13,240,885**	**7,679,289**	**2,218,981,437**

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 2026 Ug. Shs'000
1	**Defaulted loans & advances, debt securities and off balance sheet exposures at the end of the previous reporting period**	**72,292,299**
2	Loans and debt securities that have defaulted since the last reporting period	23,372,385
3	Returned to non-defaulted status	14,825,201
4	Amounts written off	11,574,588
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)**	**69,264,895**

APPENDIX

Introduction

The Bank of Uganda's Financial Institutions (Liquidity Risk Management) Regulations, 2024, Section 14 requires financial institutions to publish quarterly disclosures on their liquidity risk management framework. These disclosures cover the Bank's liquidity risk strategy, governance, stress testing framework, and highlight the key drivers of the Liquid Assets to Deposits Ratio, Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR).

The following write-up constitutes the management statement to accompany **Pillar III Liquidity Risk Disclosures** for the quarter ended **June 30 2026.**

Liquidity Risk Management

Strategy for Managing Liquidity Risk

The Bank's liquidity risk management strategy is designed to ensure the maintenance of adequate, diversified, and resilient funding sources to meet financial obligations as they fall due under both normal and stressed operating conditions. The strategy is anchored on the following key principles:

(i) Maintaining an adequate buffer of High-Quality Liquid Assets (HQLA) and managing intraday liquidity and cash flows to meet short-term needs, withstand unexpected outflows, and support timely settlement of payment obligations.

i. Maintaining an adequate HQLA buffer and managing intraday liquidity and cash flows to meet short-term needs and support timely settlement of payments.
ii. Setting a clear liquidity risk appetite and conducting regular stress testing, scenario analysis, and cash flow forecasting to assess resilience under adverse conditions.
iii. Diversifying funding sources, deposit concentrations, and the asset-liability maturity profile, supported by internal liquidity generation through sustained loan recoveries and collections.
iv. Maintaining a robust Contingency Funding Plan and closely monitoring key liquidity risk indicators and regulatory ratios to ensure compliance and enable early identification of liquidity pressures.

GOVERNANCE OF LIQUIDITY RISK

Liquidity risk governance sits within the Bank's overall risk management framework, with clear oversight at both Board and management levels. The Board Assets and Liabilities Committee (BALCO) provides strategic oversight by approving the Bank's liquidity risk appetite, policies and limit structures; reviewing stress-testing methodologies and results to ensure the adequacy of the Contingency Funding Plan; and ensuring the Bank's liquidity approach remains aligned with evolving regulatory expectations and market dynamics. The Management Assets and Liabilities Committee (MALCO) oversees day-to-day implementation of liquidity policies, balance sheet optimisation, and compliance with internal and regulatory limits.

STRESS TESTING AND FORECASTING FRAMEWORK

The Bank conducts regular liquidity stress tests covering both idiosyncratic and market-wide scenarios, incorporating assumptions such as large-depositor withdrawals, reduced interbank access, and market illiquidity. Results are reviewed by MALCO and BALCO and used to refine the Contingency Funding Plan. Liquidity forecasting considers both contractual and behavioural cash-flow patterns under baseline and stressed conditions, supporting early detection of potential liquidity gaps and informed decision-making.

KEY LIQUIDITY RATIOS

- **Liquid Assets To Total Deposits Ratio**

During the reporting period ended **June 30 2026**, the ratio of liquid assets to total deposits was 49% above the regulatory minimum of 20%, this remained averagely stable throughout the quarter. The Bank continues to manage short-term funding maturities to improve liquidity buffers.

- **The liquidity coverage ratio (LCR)**

The Liquidity Coverage Ratio (LCR) remained strong at **261.46%**, significantly above the regulatory minimum requirement of 100%. The quarter-on-quarter improvement in the ratio was primarily driven by growth in the stock of High-Quality Liquid Assets (HQLA), largely attributable to increased balances held with the Central Bank.

- **Net Stable Funding Ratio (NSFR)**

The Bank maintained a Net Stable Funding Ratio (NSFR) of **154.9%**, 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. The Bank implemented a liquidity optimization plan to enhance its long-term resilience.