UBA
United Bank for Africa

Pillar 3 Risk Management Report For period ended December 31, 2025

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Introduction

The Bank is incorporated in Uganda under the Companies Act of Uganda, 2012 and is licensed to transact Commercial Banking business under the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016.

Undertaking risk is an inherent part of our business. The Bank evaluates business opportunities in terms of the risk – reward relationship. The risks that the Bank takes are reasonable, controlled and within its financial resources and risk mandates. The diversity of the Bank's business requires the Bank to identify, measure and manage associated risks effectively. The risks are managed through a Risk Management Framework that enables process monitoring and is closely aligned with the activities of the Bank and in line with the guidelines given by Bank of Uganda.

The Board of Directors has the overall and ultimate responsibility for risk management in UBA Uganda. The Board comprises of eight (8) directors, all contributing wide range of skills and experience to the Bank. The directors comprise of an independent non - executive chairperson, a Managing Director/ Chief Executive Officer, Executive Director – Business, four (4) independent non-executive directors and a non-executive director who is the Regional Chief Executive Office, UBA East & Southern Africa.

The Board of Directors carries out its responsibility through its standing committees. These are; Board Audit Committee (BAC), Board Risk Management Committee (BRMC), Board Finance and Compensation Committee (BFCC), Board Assets and Liabilities Committee (ALCO) and the Board Credit Committee (BCC).

The Board of Directors has delegated its powers and authority to the Senior Management of the Bank through the various management committees which are responsible for ensuring compliance with the overall Risk Management Framework through a dedicated Risk Management Committee which provides regular updates to Executive Management and the Board on the risk profile of the Bank. The Board is responsible and approves the Risk Appetite of the Bank.

The Pillar 3 Risk Management Report

The Pillar 3 Risk Management Report provides a quarterly overview of the Bank's Risk Management Framework, Liquidity Risk Management, Regulatory Capital Profile and overview of the Risk Weighted Assets as at the end of the reporting period. The report is in line with Bank of Uganda guidelines on Pillar 3 disclosures as stipulated in the Internal Capital Adequacy Process and Pillar 3 Market Discipline Disclosure Requirements as well as the Financial Institutions (Liquidity) Regulations 2023.

The report has been prepared by Management, reviewed by Internal Audit and approved by the Board. The Board has reviewed the capital adequacy position of the Bank and it's Risk Management Framework and has deemed it appropriate to support the strategic aspirations of the Bank in the short and medium term. The Bank is adequately capitalised as at September 30, 2025. The information contained in this report is **unaudited.**

Certification of Pillar 3 Market Discpline Disclosure Report

The Board confirms that the Pillar 3 Market Discipline Disclosure Report for period ending December 31, 2025 has been prepared in accordance with guidelines established by Bank of Uganda and in accordance with established agreed internal control processes.

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Kenneth Kisambira
Managing Director/CEO

Mustapha Kigozi Sebaggala
Board Chairman

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Key Prudential Metrics

The table below summarises an overview of the Bank's prudential regulatory metrics. The reported amount is in UGX 000s

		a	b	c	d	e
		December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024
	Available capital (amounts)					
1	Core capital	165,619,173	163,846,273	158,634,044	159,161,884	163,051,583
2	Supplementary capital	1,664,233	2,082,881	2,224,391	1,857,184	1,605,259
3	Total capital	**167,283,406**	**165,929,154**	**160,858,435**	**161,019,068**	**164,656,842**
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	449,695,507	399,922,724	481,380,503	462,067,176	428,899,465
	Risk-based capital ratios as a percentage of RWA					
5	Core capital ratio (%)	36.83%	40.97%	32.95%	32.95%	34.45%
6	Total capital ratio (%)	37.20%	41.49%	33.42%	33.42%	34.85%
	Capital buffer requirements as a percentage of RWA					
7	Capital conservation buffer requirement (2.5%)	11,242,388	9,998,068	12,034,513	11,551,679	11,551,679
8	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
9	Systemic buffer (for DSIBs) (%)	0%	0%	0%	0%	0%
10	Total of capital buffer requirements (%) (row 7 + row 8 + row 9)	11,242,388	9,998,068	12,034,513	11,551,679	11,551,679
11	Core capital available after meeting the bank's minimum capital requirements (%)	22.70%	26.99%	18.92%	20.35%	20.35%
	Basel III leverage ratio					
12	Total Basel III leverage ratio exposure measure	948,773,510	883,624,161	964,060,587	919,902,668	883,054,312
13	Basel III leverage ratio (%) (row 1 / row 13)	17.46%	18.54%	16.45%	17.30%	18.02%
	Liquidity Coverage Ratio (LCR)					
14	Total high-quality liquid assets (HQLA)	308,127,342	261,156,752	345,451,997	273,486,907	195,596,818
15	Total net cash outflow	63,277,077	47,398,294	67,230,273	50,279,519	39,114,937
16	LCR (%)	486.95%	550.98%	513.83%	543.93%	500.06%
	Net Stable Funding Ratio (NSFR)					
18	Total available stable funding	572,409,869	484,214,403	570,493,097	432,942,073	471,385,801
19	Total required stable funding	131,700,496	101,255,128	122,359,001	195,294,510	90,891,397
20	NSFR	434.63%	478.21%	466.25%	221.69%	518.63%

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Overview of Risk Weighted Assets

The table below provides an overview of the Bank's Risk Weighted Assets. The reported amount is in UGX 000s.

		a	b	c
		RWA		Minimum capital requirements
		December 31, 2025	30-Sep-25	30-Jun-25
1	Credit risk (excluding counterparty credit risk)	418,695,802	368,532,799	452,249,611
2	Counterparty credit risk (CCR)	0	0	0
3	Market risk	5,888,011	6,964,803	5,628,217
4	Operational risk	25,111,695	24,425,121	23,502,675
5	Total (1 + 2 + 3 + 4)	449,695,507	399,922,724	481,380,503

*Counter Party Credit Risk. The Bank did not hold derivative transactions as at the end of each reporting period.

Composition of regulatory capital

The table below provides a breakdown of the Capital elements of the Bank for period ending December 31, 2025.

	Common Equity Tier 1 capital: instruments and reserves	Amounts in UGX 000
1	Permanent shareholders equity (issued and fully paid-up common shares)	217,639,738
2	Share premium	0
3	Retained earnings	(56,087,958)
4	Net after tax profits current year-to date (100% only)	8,274,499
5	General reserves (permanent, unencumbered and able to absorb losses)	-
6	**Tier 1 capital before regulatory adjustments**	169,826,279
	Tier 1 capital: regulatory adjustments	**0**
8	Goodwill and other intangible assets	390,230
9	Current year's losses	0
10	Investments in unconsolidated financial subsidiaries	0
12	Deficiencies in provisions for losses	0
14	Other deductions determined by the Central bank	0
26	Other deductions determined by the Central bank	3,816,876
28	**Total regulatory adjustments to Tier 1 capital**	4,207,106
29	**Tier 1 capital**	165,619,173
	Tier 2 capital: Supplementary capital	
46	Revaluation reserves on fixed assets	0
47	*Unencumbered general provisions for losses (not to exceed 1.25% of RWA)*	1,664,233
48	Hybrid capital instruments	0
49	*Subordinated debt (not to exceed 50% of core capital subject to a discount factor)*	0
58	**Tier 2 capital**	1,664,233
59	**Total regulatory capital (= Tier 1 + Tier 2)**	167,483,406
60	**Total risk-weighted assets**	449,695,507

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Composition of regulatory capital Cont'd

	Capital adequacy ratios and buffers	
61	**Tier 1 capital (as a percentage of risk-weighted assets)**	36.83%
63	**Total capital (as a percentage of risk-weighted assets)**	37.24%
64	**Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets)**	2.50%
65	Of which: capital conservation buffer requirement	11,242,388
66	Of which: countercyclical buffer requirement	0
67	Of which: bank specific systemic buffer requirement	0
68	**Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	3.47%
	Minimum statutory ratio requirements	
70	Tier 1 capital adequacy ratio	10.00%
71	Total capital adequacy ratio	12.00%

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Asset Quality

The table below provides a comprehensive picture of the credit quality for both on- and off-balance sheet assets for period ending December 31, 2025 in UGX 000s

		a	b	d	e	f	g
		Gross carrying values of		Provisions as per FIA2004/MDIA2003		Interest in suspense	Net values (FIA/MDIA) (a+b-d-e)
		Defaulted exposures	Non-defaulted exposures	Specific	General		
1	Loans and advances	718,128	166,426,727	589,572	1,657,052	131,964	164,898,231
2	Debt Securities	0	345,468,149	0	0	0	345,468,149
3	Off-balance sheet exposures	0	224,303,716	0	0	0	224,303,716
4	***Total***	718,128	736,198,592	589,572	1,657,052	131,964	734,670,096

Changes in stock of defaulted loans and debt securities

The table below shows the stock of defaulted loans and debt securities for period ending December 31, 2025.

		Amount in UGX 000
1	**Defaulted loans & advances, debt securities and off balance sheet exposures at end of the previous reporting period**	1,196,875
2	Loans and debt securities that have defaulted since the last reporting period	309,835
3	Returned to non-defaulted status	1,055
4	Amounts written off	458,606
5	Other changes	(328,921)
6	**Defaulted loans & advances, debt securities and off balance sheet exposures at end of the reporting period** (1+2-3-4+5)	718,128

*Other changes relate to repayments of loans that were previously in default

Qualitative disclosure on SFIs' use of external credit ratings under the standardised approach for credit risk

UBA Uganda Limited uses Moody's Analytics credit lens as External Credit Assessment Institution to conduct credit assessments for the Standardized Approach to Credit Risk. Moody's analytics is applied to the Banks market segments of Corporate, Commercial and SMEs to assess Credit ratings for Loans and Advances, Contingents (Off balance sheet items) using submitted audited financial statements to arrive at financial spreads and qualitative data in order to generate risk grading and scores as summarised below;

Description	Rating Bucket		Rating Bucket	Risk Range
Extremely Low Risk	AAA	1.0 - 1.99	90% - 100%	Low Risk Range
Very Low Risk	AA	2.00 - 2.99	80% - 89%	
Low Risk	A	3.00 - 3.99	70% - 79%	
Acceptable Risk	BBB	4.00 - 4.99	60% - 69%	Acceptable Risk Range
Moderately High Risk	BB	5.00 - 5.99	50% - 59%	
High Risk	B	6.00 - 6.99	40% - 49%	High Risk Range
Very High Risk	CCC	7.00 - 7.99	30% -39%	
Extremely High Risk	CC	8.00 - 8.99	0% - 29%	Unacceptable Risk Range
High likelihood of Default	C	9.00 - 9.99		
Default	D	Above 9.99		
Unrated portfolio				

The results of the credit assessment are used to inform our lending decisions in the Corporate and Commercial space as well as selected SME transactions.

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Liquidity Position and Liquidity Risk Management

The Bank is cognizant of the critical need for liquidity to run the business of the Bank. The Board has the overall responsibility of liquidity risk management strategy in the Bank. The Board sets the liquidity appetite which defines the level of liquidity the Bank is willing to deal with and has delegated to Board Asset and Liability Management Committee to oversee the liquidity risk framework of the Subsidiary and meets on a quarterly basis to review the compliance status of the strategy set out to achieve the desired liquidity profile of the Bank.

Executive Management through the Asset and Liability Committee meets at least on a monthly basis to review the liquidity position of the Bank and the parameters set out in the liquidity risk management framework to ensure compliance and where any breaches are identified, remedial mechanisms put in place to regularise liquidity. The Country Treasurer is mandated to manage the optimum liquidity position of the Bank.

The Internal Audit function performs independent reviews on the liquidity position of the Bank and the strategies in place to ensure maintenance of optimum levels of liquidity to meet obligations as and when they fall due and regulatory expectations spelt out in Bank of Uganda regulations/guidelines on liquidity management. The Internal Audit review process is in line with the annual approved Audit plan for the Bank.

The Bank through Risk Function performs regular liquidity risk stress testing based on scenario and sensitivity analysis. The testing models, scenarios and methodologies are regularly reviewed and approved to align with existing operating environment and emerging risks.

The Bank has in place Liquidity and Capital Contingency Plans with guidelines for activation if early indicators are triggered from the stress tests or actual breaches do occur. The Liquidity Contingency plan is regularly tested for resilience, relevance and effectiveness in times of liquidity crisis.

The Liquidity Management Framework/Strategy has embedded the liquidity coverage ratio, net stable funding and liquidity assets ratio as key benchmarks for testing the effectiveness of the liquidity plan in place. These are reviewed on a weekly basis by the Market Risk function in line with the Financial Institutions (Liquidity) Regulations of 2023.

Commentary on key Liquidity ratios

Liquidity Coverage Ratio (LCR) is the ratio of stock of highly liquid assets held by the bank to cover short term obligations over a 30-day period.

The increase in LCR is due to an increase in the stock of highly liquid assets given the additions of Available for sale secutirites matruting within 91 days and Bonds matruing beyond 365 days. The LCR- Consolidated as at December 31, 2025 closed at 486%, LCR- LCY 212% and LCR-FCY 127% vis-a-vis September 30, 2025 closed at 550%, LCR- LCY 292% and LCR-FCY 171%.

Net Stable Funding Ratio (NSFR) and is defined as the amount of available stable funding relative to the amount of required stable funding. Available stable funding in this case refers to the proportion of capital and liabilities expected to reliable over the time horizon considered by the NSFR, which extends to one year. The amount of required stable funding of the Bank considers the maturity profiles of both on-and off-balance sheet exposures. The ratio should always be greater or equal to 100%.

As at December 31, 2025, the NSFR registered a downward movement to 435% from 478% in September 30, 2025 due to an increase in the other liabilities- commercial bank loans that afefcted the total available stable funding.

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