PILLAR 3 MARKET DISCIPLINE REPORT

Disclosures as at 31st December 2025

CONTENTS

1. INTRODUCTION

This Pillar 3 Market Discipline Disclosure Report provides an overview of NCBA Bank Uganda's risk management framework, regulatory capital profile, and risk-weighted assets as of 31 December 2025. It aligns with the Bank of Uganda's guidelines on Pillar 3 disclosures, which were introduced to help promote comparability of supervised financial institution's (SFIs) risk profiles, and to promote market discipline through these regulatory disclosures. It emphasizes our commitment to maintaining a robust governance framework, promoting risk culture, and aligning our practices with the evolving regulatory landscape.

The report aims to enhance market discipline by promoting transparency in how the Bank identifies, measures, monitors, and manages its risks. by disclosing key financial and risk-related information, stakeholders can assess the Bank's stability, resilience, and alignment with sound governance and risk management principles. Guided by the regulatory framework established by the Bank of Uganda, our approach ensures proactive risk identification, assessment, and mitigation while maintaining capital adequacy and financial stability. This report reaffirms our dedication to open communication with stakeholders and our focus on building a resilient and well-governed institution.

The report confirms that the Bank is adequately capitalized as of 31 December 2025. The information contained in this report is as per the unaudited financial statements.

CERTIFICATION OF PILLAR 3 MARKET DISCIPLINE DISCLOSURE REPORT

The Board confirms that the report for the period ended 31 December 2025 has been prepared in accordance with the guidelines established by the Bank of Uganda and in accordance with the Board agreed internal control process.

Mark A Muyobo
Managing Director/CEO

Grace Jethro Kavuma
Board Chairman

2. KEY PRUDENTIAL METRICS

The table below Provides an overview of NCBA Bank's prudential regulatory metrics

No.	Amounts in UGX '000	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
	Available Capital					
1	Core capital	200,897,508	192,027,264	191,197,315	189,212,248	183,559,800
2	Supplementary capital	3,260,070	3,121,583	2,780,073	2,942,798	3,053,775
3	Total capital	204,157,578	195,148,847	193,977,388	192,155,046	186,613,574
	Risk-weighted Assets (amounts)					
4	Total risk-weighted assets (RWA)	534,241,561	487,908,438	479,678,779	470,119,454	485,389,087
	Risk-based Capital Ratios As a Percentage Of RWA					
5	Core capital ratio (%)	37.6%	39.4%	39.9%	40.2%	37.8%
6	Total capital ratio (%)	38.2%	40.0%	40.4%	40.9%	38.5%
	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 (%)**	25.1%	26.9%	27.4%	27.8%	25.3%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio exposure measure	1,250,073,137	1,167,602,196	1,082,573,530	979,407,313	1,027,152,988
14	Basel III leverage ratio (%) (row 1 / row 13)	16.1%	16.4%	17.7%	19.3%	17.9%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)	308,027,972	306,515,772	242,957,764	219,108,241	201,572,895
16	Total net cash outflow	38,423,909	104,466,149	33,107,747	35,402,086	58,229,031
17	LCR (%)	801.7%	293.4%	733.8%	618.9%	346.2%
	Net Stable Funding Ratio					
18	Total available stable funding	820,709,958	738,414,431	706,635,580	666,192,171	772,714,860
19	Total required stable funding	611,194,790	559,450,782	552,570,040	494,021,827	508,245,908
20	NSFR	134.3%	132%	128%	135%	152.0%

**** Core capital available after meeting the bank's minimum capital requirements is computed as row 5 minus row 10 minus the minimum core capital ratio of 10%**

The Bank remained fully compliant with the Bank of Uganda requirement to maintain minimum paid-up cash capital and core capital of not less than UGX 150 billion, closing the period with a core capital position of UGX 201 billion. Quarter-on-quarter, both the core capital and total capital adequacy ratios remained stable at 37.6% and 38.2%, respectively—significantly above the regulatory minimum thresholds of 12.5% and 14.5%.

3. THE RISK MANAGEMENT APPROACH

INTRODUCTION

NCBA Bank Uganda Ltd (NCBA or the Bank) manages business activities within risk management guidelines including those provided by regulators (the Central Bank and other relevant Authorities in the financial services sector like Capital Markets Authority, Insurance Regulatory Authority, Financial Intelligence Authority) and international best practices focusing on the Bank's ability to manage the risks inherent in financial services business.

The Bank operates on the understanding that risks will have to be taken and effectively managed in the normal course of business as opportunities are explored with the objective of maximizing earnings potential, thus increasing the likelihood of success in meeting business objectives. Resources at a cost that is proportionate to the business risks undertaken are deployed to identify, measure and proactively manage threats and uncertainties that may come with all such risks with a view to protect against unforeseen losses, ensure earnings stability, reduce the possibility of failure and prevent the Bank from suffering unacceptable loss.

THE NCBA APPROACH TO RISK MANAGEMENT

NCBA uses an enterprise-wide risk management (ERM) approach for the management of risks. ERM provides uniform processes to identify, assess, manage, mitigate, and report on key risks. It supports the Board corporate governance needs, enables informed decision-making, and identifies areas for value optimization.

The ERM Program is governed by the Enterprise Risk Management Framework which;

- Is geared at optimizing the Bank's risk management capability through a structured development of an effective risk management infrastructure that is aligned to the Bank's business strategy, acceptable risk appetite and consists of the following elements: Business Risk Management Policies, Business Risk Processes, People and Organization, Risk Management Reports, Risk Management Methodologies, Risk Management Systems and Data.
- Outlines the approach to the management of risk and provides the basis for setting frameworks and policies and establishing appropriate risk practices throughout the Bank.
- Defines the risk management process and sets out the activities, tools, techniques and the operating model to ensure material risks can be identified and managed.
- Ensures appropriate responses are in place to protect the bank and its stakeholders.
- Sets out principal risks and assigns clear ownership and accountability for these risks.
- Risk management is carried out under policies approved by the Board of Directors.
- The Board approved a risk appetite to guide all risk tolerances as well as written policies covering principal risks such as Strategic, Credit, Operational, ICT, Compliance, foreign exchange, interest rate, liquidity, Environmental and Social Governance (ESG) and Anti Money Laundering Risks.
- The internal audit function independently audits the adequacy and effectiveness of the Bank's risk management, control and governance processes.
- The Head of internal audit reports and provides independent assurance to the Board Audit Committee and has unrestricted access to the Chairman of the Board Audit Committee.

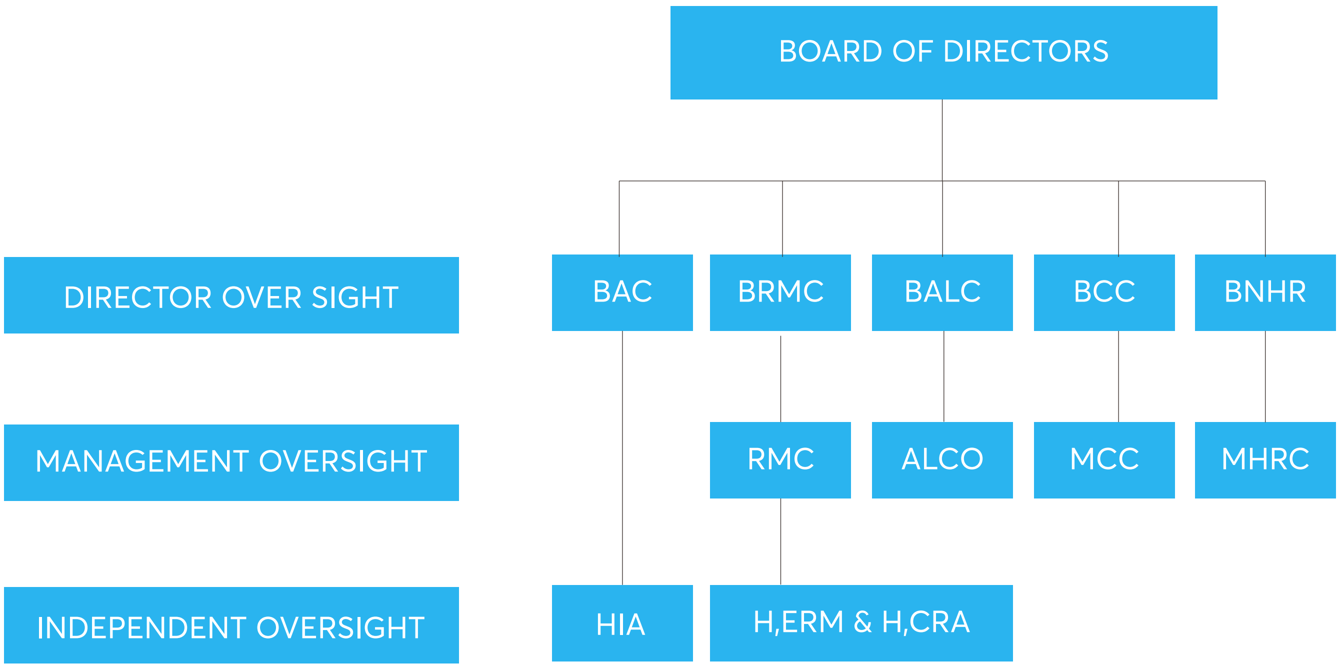
The Bank further employs "three lines of defence governance model" in its risk management framework to implement and control decisions on strategy, risk and capital that are taken by the Board.

a. First Line of Defence: Own and manage the risks. They are responsible for implementing corrective actions to address process and control deficiencies; maintaining effective internal controls and execute risk and control procedures on a day-to-day basis. They also identify, assess, control and mitigate risks to ensure the achievement of set goals and objectives.

b. Second Line of Defence: Includes the risk management function that facilitates and monitors the implementation of effective risk management practices and the compliance function that monitors Compliance Risk. Other key functions include independent identification and monitoring of risks including monitoring the integrity of risk identification process by various risk owners, establishment and enforcing the implementation of an overall Bank Risk Management Framework, ensuring that risk policies, policy standards, practices and policy guidelines are documented, communicated to staff, appropriately followed and regularly (at least once a year) updated, monitoring and analyzing risk trends including risk-awareness culture, building a risk awareness culture within the Bank including appropriate education and training to staff and specifically the functional risk champions, implementation of a comprehensive stress testing program, independent reporting to the Board Risk Management Committee (BRMC) on the management of Risk within the Bank.

c. Third Line of Defence: Provides objective assurance on the effectiveness of governance, risk management and internal controls. Managed by the internal Audit function to ensure identification and prioritization of risks, bring to the attention of management any shared risks not owned by process owners, independently assess regulatory and internal policies compliance and make recommendations for improvement.

THE RISK GOVERNANCE STRUCTURE AND BOARD MANDATE



Board Oversight: BAC – Board Audit Committee, BRMC – Board Risk Management Committee, BALCO – Board Asset & Liability Management Committee, BCC – Board Credit Committee, BNHRC – Board Nominations and Human Resources Committee.

Management Oversight: RMC – Risk Management Committee, MCC- Management Credit Committee, ALCO – Asset & Liability Management Committee; and MHRC - Management Human Resources Committee

Independent Oversight And Assurance: HIA – Head, Internal Audit, H,ERM – Head, Enterprise Risk Management and H,CRA –Head Compliance and Regulatory Affairs

BOARD OF DIRECTORS (BOD)

In accordance with the NCBA Board Charter and Terms of Reference, the Board has all the necessary oversight powers for effectively directing and supervising the management of the business and affairs of the Bank. The Board is ultimately responsible for oversight and approval of Bank Corporate Governance, Strategy, Compensation planning, Corporate values, Risk Management framework and Senior Management structure. An independent director shall chair the Board.

	Board Nominations & Human Resource Committee	Board Assets And Liabilities Committee	Board Credit Committee	Board Audit Committee	Board Risk Management Committee
MANDATE	The role of the Board Risk Management Committee is to assist the Board in its independent oversight responsibilities for risk management and compliance practices in the Bank.	The BALCO is responsible for establishing broad guidelines on the Bank's tolerance for risk and expectations from investment. Shall assist the Board on Strategic and key business execution policy matters of the Bank with a core focus on the enhancement of Shareholder value through guiding Management on the continuous growth of the business units.	BCC is responsible for formulating and implementing a Credit Strategy and Policy/(ies) clearly setting out the acceptable risk appetite and tolerance limits that the Bank is willing to take on; and the level of profitability that the Bank expects to achieve for incurring the various credit risks.	The BNHRC shall provide oversight on the appointment, remuneration and separation from the bank of senior management and other key personnel and ensure consistency with the Bank's culture, objectives, strategy and control environment.	Independent oversight on financial reporting and internal controls in the Bank. Oversees and appraises the quality of Bank's internal controls including the scope and frequency of audits conducted by the internal Auditors and their recommendations , confirming appropriate action taken by management. Oversees the financial reporting process and ensures external auditors are appointed by Shareholders.
COMPOSITION	Chaired by an Independent Non-Executive Director and, including the Chairperson, consists of majority of independent Non-executive directors.	Shall be chaired by an Independent non-executive director and, including the chairperson, consists of at least three non-executive directors.	Shall be chaired by an independent non-executive director and, including the chairperson, consists of at least two non-executive directors.	Shall be chaired by an independent non-executive director and, including the chairperson, consists of at least three non-executive directors.	Shall be chaired by an Independent Director and consist of atleast three independent Non-Executive Directors.

THE RISK APPETITE

NCBA enforces its risk culture through several governance documents including the code of conduct and the Risk appetite. Risk appetite is the aggregate level and type of risk the Bank is willing to accept given its risk capacity. The Board approved risk appetite is established, communicated and monitored within the Bank through policies, policy guidelines, limits/tolerances, procedures and systems.

The Board reviews and approves the risk appetite of the Bank and ensure the framework is embedded in the Bank by holding senior management accountable for its effectiveness.
On a quarterly basis, the Board of Directors through the Board Risk Management Committee (BRMC) reviews the aggregated residual risk profile of the Bank and assesses this against the approved target quantitative and qualitative risk metrics defined in the risk appetite and receives updates from Senior Management on the status of corrective actions.

During the annual review of the risk appetite, BRMC and Management consider the following key elements: Bank's risk capacity, Business plan and strategy, Regulatory requirements, Shareholder expectations and Significant developments in the industry in all the markets the Bank operates.

RISK REPORTING STRUCTURE

The Enterprise Risk Management (ERM) function reports to the Chief Executive Director / Managing Director with unfettered access to the Board Risk Management Committee (BRMC) to ensure independence.

The Bank Senior Management also receives regular briefing on the Bank's risk profile directly from the ERM function.

The ERM function oversees all activities related to risk management within the Bank.

STRESS TESTING

Stress testing is defined as the various techniques used by financial Institutions to gauge their potential vulnerability to exceptional but plausible events. It involves defining potential extreme adverse future economic scenarios and the wider environment within which the tests are developed, evaluated and used within the decision-making process.

The bank's stress testing process involves measuring the sensitivity of it's credit risk portfolios, operational risk exposures, market risk exposures and liquidity to changes in economic variables under extreme scenarios.

Stress testing is performed on a regular basis in order to assess the impact of a severe economic downturn on the Bank's risk profile and financial position. Stress testing complements traditional risk measures and represents an integral part of the Bank's strategic and capital planning process.

Our stress testing encompasses relevant scenarios covering global and local conditions including macroeconomic, industry, reverse scenarios, and management judgement based on analysis such as single name, sector, deposit, book downgrades and product concentrations.

The Bank uses two types of stress testing methodologies including Sensitivity Analysis and Scenario Analysis.

RISK TREATMENT STRATEGIES

Risk treatment is the way in which the Bank aligns identified risks to the objectives and strategies of the organization. Aligning the Bank's risk strategy to business strategy requires maintaining relevant and timely information on the Risk Portfolio. The bank applies the following risk management strategies in Risk Treatment.

An action to respond to a Residual Risk by affecting risks and/or risk responses in one of the following ways:

Risk Reduction

- Control risk through internal processes with deliberate actions that reduce the likelihood to undesirable events.
- Test strategies, products, or services on a limited basis and evaluate results.
- Respond to contingencies by documenting effective plans and empowering appropriate personnel to make decisions.
- Improve capabilities to manage a desired exposure.
- Relocate operations to transfer risk from one location.
- Diversify financial, physical, customer, employee/supplier and asset holdings used by the bank 's business model.

Risk Transfer

- Insure through a financially capable party.
- Reinsure with other insurers to reduce portfolio exposures.
- Hedge risk by making feasible changes in operations.
- Outsource processes.

Risk Acceptance

- Retain risk at its present level while working around the clock to find a better mitigation for the risk.
- Reprice products and services by including an explicit premium in the pricing to compensate for the risk undertaken.
- Accepted risks are monitored and reviewed within 180 days under the risk acceptance program.

Risk Avoidance

- Prohibit high-risk activities, business models, transactions, financial losses and asset exposures through appropriate bank policies, limit structures and standards.
- Stop specific activities by redefining objectives, refocusing strategies and policies, and redirecting those resources to better yielding activities.
- Continuous monitoring
- Establish a robust monitoring system to track changes in the risk landscape.
- Regularly review and updated risk assessments to reflect changes in the business environment.

4. OVERVIEW OF THE RISK WEIGHTED ASSETS

The table below provides an overview of total RWA forming the denominator of the risk-based capital requirements.

Amounts in UGX '000		RWA		Minimum capital requirements
		Dec-25	Sept-25	Dec-25
1	Credit risk (excluding counter party credit risk)	461,756,936	442,301,516	57,719,617
2	Counterparty credit risk (CCR)	-	-	-
3	Market risk	37,407,985	12,852,124	4,675,998
4	Operational risk	35,076,639	32,754,798	4,384,580
5	**Total (1 + 2 + 3 + 4)**	**534,241,561**	**487,908,438**	**66,780,195**

Minimum capital requirement computed at 12.5% in line with the regulations

As of 31 December 2025, the Bank's total Risk-Weighted Assets (RWA) amounted to UGX 534.2 billion, up from UGX 487.9 billion in September 2025.

The quarter-on-quarter increase in total risk-weighted assets was predominantly attributable to higher market risk capital requirements, following the depreciation of the Ugandan shilling against major currencies, which increased foreign exchange risk exposures and amplified valuation sensitivities. Credit risk-weighted assets declined during the period, reflecting a contraction in the loan book and reduced credit exposure volumes. Operational risk-weighted assets remained broadly stable, consistent with unchanged business indicators and a steady operational risk profile.

The Bank continues to maintain capital buffers well above the regulatory thresholds, highlighting its strong capital position and prudent risk management practices.

5. COMPOSITION OF THE REGULATORY CAPITAL

The table below provides a breakdown of the constituent elements of the Bank's capital.

NO.	Common Equity Tier 1 capital: instruments and reserves	Amounts in UGX '000
1	Permanent shareholders equity (issued and fully paid-up common shares)	150,883,302
2	Share premium	-
3	Retained earnings	69,562,600
4	Net after tax profits current year-to date (50% only)	19,419,919
5	General reserves (permanent, unencumbered and able to absorb losses)	-
6	**Tier 1 capital before regulatory adjustments**	**239,865,821**
	Tier 1 capital: regulatory adjustments	
8	Goodwill and other intangible assets	(5,410,949)
9	Current year's losses	-
10	investments in unconsolidated financial subsidiaries	-
12	deficiencies in provisions for losses	-
14	Other deductions determined by the Central bank	(32,795,618)
26	Other deductions determined by the Central bank	(761,746)
28	**Total regulatory adjustments to Tier 1 capital**	**(38,968,313)**
29	**Tier 1 capital**	**200,897,508**
	Tier 2 capital: Supplementary capital	
46	Revaluation reserves on fixed assets	--
47	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	3,260,070
48	Hybrid capital instruments	-

49	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	-
58	**Tier 2 capital**	3,260,070
59	**Total regulatory capital (= Tier 1 + Tier2)**	204,157,578
60	**Total risk-weighted assets**	534,241,561
Capital adequacy ratios and buffers		
61	**Tier 1 capital (as a percentage of risk-weighted assets)**	**37.60%**
63	**Total capital (as a percentage of risk-weighted assets)**	**38.21%**
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	2.50%
66	Of which: countercyclical buffer requirement	-
67	**Of which: bank specific systemic buffer requirement**	0.00%
68	**Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	25.10%
Minimum statutory ratio requirements		
70	Tier 1 capital adequacy ratio	12.5%
71	Total capital adequacy ratio	14.5%

The Bank remained compliant with the revised regulatory capital requirement of UGX 150 billion. As at the reporting date, the core capital and total capital adequacy ratios were maintained at 37.6% and 38.2%, respectively—well above the statutory minimum thresholds of 12.5% and 14.5%. These stable ratios reflect the Bank's strong capital position and continued resilience in meeting prudential requirements.

6. QUALITY OF ASSETS

Below is a comprehensive picture of the credit quality of NCBA Bank's (on- and off-balance sheet) assets

NO.	Amounts in UGX '000	Gross carrying values of		Provisions as per FIA2004/MDIA2003		Interest in suspense	Net values (FIA/MDIA)
		Defaulted exposures	Non-defaulted exposures	Specific	General		
1	Loans and advances	11,982,067	322,492,309	7,166,460	3,260,070	1,300,911	326,007,004
2	Debt						-
	Securities						
3	Off-balance sheet exposures		41,290,559				41,290,559
4	**Total**	**11,982,067**	**363,782,868**	**7,166,460**	**3,260,070**	**1,300,911**	**367,297,563**

The Bank's defaulted exposure ratio stood at 3.6% as at the end of the year. Adequate provisioning, both general and specific, was maintained against these exposures, resulting in a coverage ratio of 60%. This reflects prudent credit risk management and continued alignment with regulatory provisioning standards.

7. CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

The table below shows 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.

1	Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the previous reporting period	17,615,314
2	Loans and debt securities that have defaulted since the last reporting period	11,282,054
3	Returned to non-defaulted status	(883,800)
4	Amounts written off	15,464,577
5	Other changes	(2,334,524)
6	Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the reporting period (1+2-3-4+5)	11,982,067

Our continuous monitoring and proactive management of credit exposures have strengthened the Bank's long term financial stability and resilience, as evidenced by the reduction in non performing loans.

8. QUALITATIVE DISCLOSURE ON BANKS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

NCBA Bank Uganda Ltd as guided by the Bank of Uganda guidelines adopted the moody's investor services commonly known as Moodys, Fitch and SP Global ratings as the external credit rating agencies to provide credit ratings, research and risk analysis to the Bank using the standardized approach.

The ratings provide insights on the creditworthiness of various entities, including governments, corporations, and financial institutions. The classification helps the Bank manage its investment portfolio and assess the risk associated with different debt instruments.

The below tables provide a summary of definitions of the different scales and there relevant risk ratings.

Moody's Ratings

Scale	Risk rating	Definitions
Aaa	Low risk	Obligations are judged to be of the highest quality, with minimal credit risk
Aa		Obligations are Judged to be of high quality and are subject to very low credit risk
A		Obligations are are considered upper-medium grade and are subject to low credit risk
Baa	Moderate Risk	Obligations are subject to moderate credit risk and are considered medium grade
Ba		Obligations are judged to have speculative elements and are subject to substantial credit risk
B	High Risk	Obligations are considered speculative and are subject to high credit risk
Caa	Unacceptable	Obligations are judged to be of poor standing and are subject to very high credit risk
Ca		These are highly speculative and are likely in, or very near, default, with some prospect of recovery
C		Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery

Fitch Ratings

AAA	Low risk	Highest credit quality, indicating the lowest expectation of default risk
AA		Very high credit quality, with a very low expectation of default risk
A		High credit quality, with a low expectation of default risk
BBB	Moderate Risk	Good credit quality, with a moderate expectation of default risk
BB		Speculative, with an elevated vulnerability to default risk
B	High Risk	Highly speculative, with a significant risk of default
CCC	Unacceptable	Substantial credit risk, with a real possibility of default
CC		Very high levels of credit risk, with a high likelihood of default
C		Exceptionally high levels of credit risk, with default imminent or inevitable
D		Default, indicating that the issuer has failed to meet its financial commitments

9. ABBREVIATIONS

The following abbreviations are used throughout the document.

ALCO	Asset & Liability Management Committee
BAC	Board Audit Committee
BALC	Board Asset & Liability Management Committee
BCC	Board Credit Committee
BNHRC	Board Nominations and Human Resources Committee
BOU	Bank of Uganda
BRMC	Board Risk Management Committee
CCR	Counterparty credit risk
DSIBs	Domestic Systemically Important Banks
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EXCOM	Executive Committee
FIA	Financial Institutions Act
HCRA	Head Compliance and Regulatory Affairs
HERM	Head Enterprise Risk Management
HIA	Head Internal Audit
HQLA	High Quality Liquid Assets
ICT	Information and Communication Technology
KPIs	Key performance Indicators
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
MCC	Management Credit Committee
MDIA	Microfinance Deposit-Taking Institution
MHRC	Management Human Resources Committee
NSFR	Net Stable Funding Ratio
RCSA	Risk and Control Self-Assessment
RMC	Risk Management Committee
RWA	Risk Weighted Assets
UGX	Uganda Shillings

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