

BRAC UGANDA BANK LIMITED PILLAR 3 MARKET DISCLOSURES

Period ended 31st December 2025



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DIS01- Key Prudential Metrics

| | | a | b | c | d | e |
|---|--|-------------|-------------|-------------|-------------|-------------|
| | | Dec-25 | Sep-25 | Jun-25 | Mar-25 | Dec-24 |
| Available capital (amounts) | | | | | | |
| 1 | Core capital | 51,910,729 | 49,822,426 | 51,248,273 | 47,859,958 | 43,697,800 |
| 2 | Supplementary capital | 2,723,167 | 2,607,948 | 2,550,802 | 2,510,573 | 2,599,854 |
| 3 | Total capital | 54,633,895 | 52,430,374 | 53,799,075 | 50,370,530 | 46,297,654 |
| Risk-weighted assets (amounts) | | | | | | |
| 4 | Total risk-weighted assets (RWA) | 269,232,063 | 257,247,662 | 244,022,870 | 243,723,255 | 255,299,537 |
| Risk-based capital ratios as a percentage of RWA | | | | | | |
| 5 | Core capital ratio (%) | 19.3% | 19.4% | 21.0% | 19.6% | 17.1% |
| 6 | Total capital ratio (%) | 20.3% | 20.4% | 22.0% | 20.7% | 18.1% |
| 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 (%) | 6.8% | 6.9% | 8.5% | 7.1% | 4.6% |
| Basel III leverage ratio | | | | | | |
| 13 | Total Basel III leverage ratio exposure | 343,552,690 | 337,353,583 | 302,193,729 | 294,265,552 | 298,085,781 |

| | | | | | | |
|---------------------------------|---|-------------|-------------|-------------|-------------|-------------|
| | measure | | | | | |
| 14 | Basel III leverage ratio (%) (row 1 / row 13) | 15.1% | 14.8% | 17.0% | 16.3% | 14.7% |
| Liquidity Coverage Ratio | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | 11,519,163 | 12,084,219 | 10,976,291 | 9,372,474 | 7,816,381 |
| 16 | Total net cash outflow | 7,237,490 | 7,163,834 | 6,281,033 | 8,937,274 | 6,996,899 |
| 17 | LCR (%) | 159.2% | 168.7% | 174.8% | 104.9% | 111.7% |
| Net Stable Funding Ratio | | | | | | |
| 18 | Total available stable funding | 215,383,015 | 214,011,722 | 203,614,446 | 203,937,170 | 194,566,140 |
| 19 | Total required stable funding | 120,359,155 | 110,207,044 | 87,282,912 | 85,829,783 | 85,858,774 |
| 20 | NSFR | 179.0% | 194.2% | 233.3% | 237.6% | 226.6% |

- i. BRAC Uganda Bank Ltd remains well-capitalized, maintaining both core and total capital levels above the buffered Tier 1 and Tier 2 capital adequacy requirements. As of December 2025, the Bank's surplus core capital slightly decreased to 6.8%, from 6.9% in September 2025, mainly driven by the growth in risk-weighted assets outpacing the increase in core capital. Despite the decline, the Bank continues to hold a robust capital buffer sufficient to absorb potential shocks under severe stress conditions and to support sustainable business growth in line with our strategic objectives.
- ii. An increase in the Basel III leverage ratio was attributed to a 4.2% (UGX 2.1Bn) growth in core capital compared to a 1.8% (UGX 6.1Bn) growth in total assets.
- iii. The decline in the NSFR from 194.2% to 179.0% is attributed to the faster growth in required stable funding relative to available stable funding. Nevertheless, the ratio remains comfortably above the minimum regulatory threshold of 100%, indicating that the Bank continues to maintain adequate stable funding to support its asset base and business activities.
- iv. The Liquidity Coverage Ratio (LCR) stands at 159.2%, surpassing the regulatory benchmark of 100%. This demonstrates the bank's strong ability to meet short-term funding requirements over a 30-day stress period, even in adverse conditions, underscoring its resilience and financial stability.

DIS02- Risk Management Approach

I. Introduction

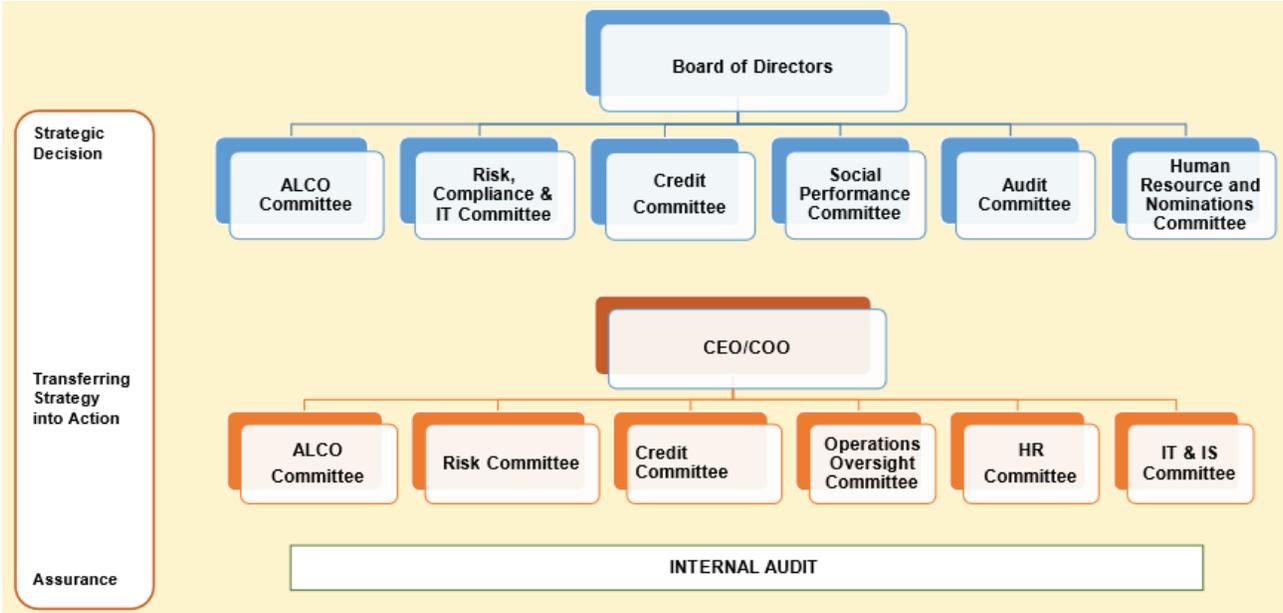
This section highlights BUBL's risk governance framework, showcasing how Senior Management and the Board of Directors assess and mitigate risks. This robust approach ensures that all employees clearly understand the bank's risk appetite in relation to its business operations and key risk factors.

II. BRAC Uganda Bank's Approach to Risk Management

BUBL has embraced an enterprise-wide risk management (ERM) approach to effectively handle risks. This method ensures consistent processes for identifying, assessing, managing, mitigating, and reporting key risks. Aligned with BRAC Uganda Bank's corporate governance needs, it facilitates informed decision-making for the Board of Directors (BOD) and identifies avenues for value optimization. The BUBL Risk Management Program is governed by the Enterprise Risk Management Framework. BUBL is committed to implementing a step-by-step risk assessment methodology based on the Basel framework and ISO 31000 Standards, inclusive of a comprehensive risk management framework. This framework incorporates detailed processes for risk identification, measurement, control, and evaluation, providing robust support for the Board of Directors in overseeing risk-related aspects.

III. Risk Governance Structure and Responsibilities

Risk Governance Structure



Responsibilities within BRAC Uganda Bank's Risk Governance structure

| Position/ Role | Responsibility and Accountability |
|--|--|
| Board of Directors | <ul style="list-style-type: none"> - Overall responsibility for risk management processes. - Develop and maintain appropriate organizational structures. - Review controls and long-term capital maintenance program. - Formulate clear risk area philosophies. - Review and approve policies and capital requirements. - Ensure adherence to policies and procedures. - Delegate authority and specify reporting requirements. |
| Executive Directors | <ul style="list-style-type: none"> - Ensure operationalization of approved risk management structures and policies. - Accountable for risk identification, analysis, evaluation, and treatment. - Ensure departmental risk management aligns with benchmarks. - Advise the Board on policy adequacy. |
| Heads of Departments | <ul style="list-style-type: none"> - Accountable for departmental risk identification, evaluation, and treatment. - Promote risk awareness. - Incorporate risk assessment into projects. - Report risks and incidents. - Monitor and review departmental risk registers. - Generate risk treatment action plans. - Compile and update risk registers. - Coordinate incident reporting and closure of issues. |
| Risk Department | <ul style="list-style-type: none"> - Produce comprehensive risk management reports. - Propose risk management policies and strategies. - Coordinate risk training and awareness. - Initiate risk policy reviews. - Champion risk management at strategic and operational levels. - Advise on risk issues. - Monitor risk treatment plans. - Report risks and incidents. - Review and maintain risk registers. - Operationalize risk champion model. |
| Management Risk Committee (MRC) | <ul style="list-style-type: none"> - Recommend risk management framework to the Board Committee. - Review and ensure compliance with risk management standards. - Implement risk management framework. - Consolidate and discuss unit risks. - Recommend changes to risk management policies. - Monitor business continuity preparedness. - Carryout departmental reviews and incident reports. - Assess physical security, error trends, and fraud risks. - Ensure compliance with approved risk limits and legislation. - Assess committee terms of reference. - Establish risk monitoring and compliance programs. - Incorporate compliance risk management into operations and planning. |

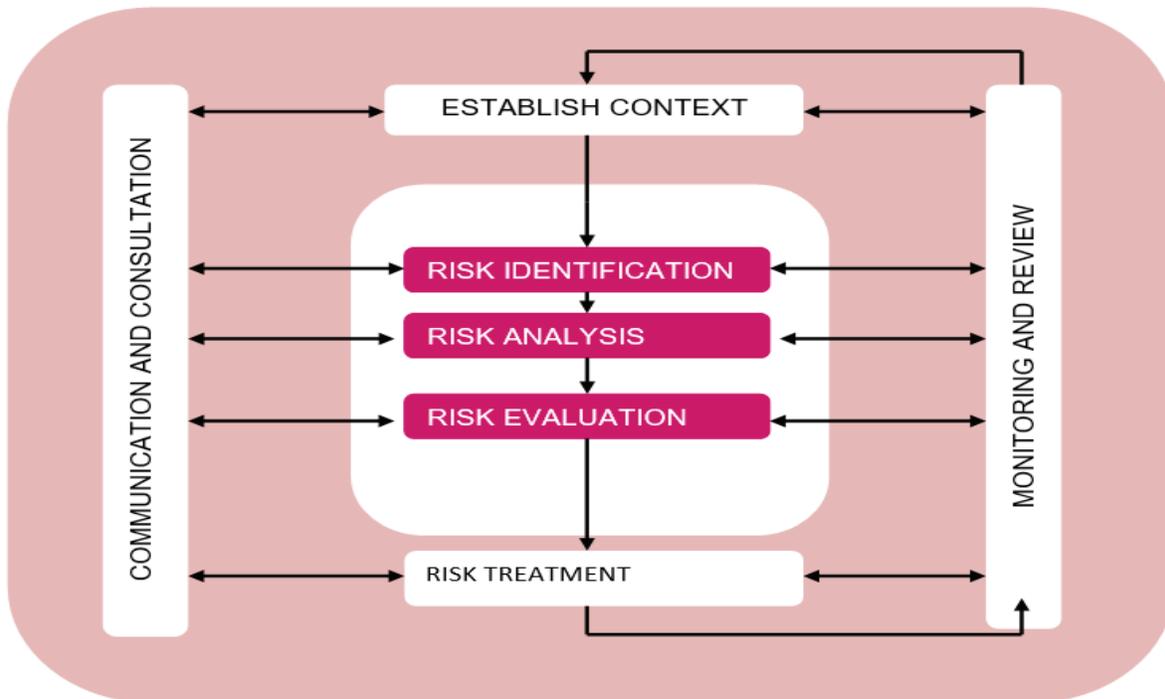
| Position/ Role | Responsibility and Accountability |
|------------------------------|--|
| Compliance Department | <ul style="list-style-type: none"> - Assist senior management to effectively manage the bank's compliance risk - Advise on compliance laws, rules, and standards. - Identify, document, and assess compliance risks. - Formulate compliance risk measurement methods. |
| Bank Employees | <ul style="list-style-type: none"> - Implement and function within established policies and procedures. - Manage risks within their established risk tolerance thresholds. - Get the support of management and approval for risks beyond individual tolerance thresholds. - Identify all noteworthy risks generated by their own activities and report them to their risk champions. |
| Internal Audit | <ul style="list-style-type: none"> - Provide independent assurance to the Board on risk management effectiveness. - Ensure appropriate management of unacceptable risks. - Evaluate internal control system effectiveness. |

IV. Risk Management Process

Risk management is a systematic approach to managing risks throughout the organization by identifying, assessing, understanding, acting on and communicating risk issues.

All risk owners are required to follow the process in their day-to-day management of risks within their functional responsibilities.

Overview of BUBL's Risk Management Process



BUBL's ERM approach.

BUBL implements an ERM approach that involves seven (7) components i.e. establishment of the context, identifying, analysis, evaluation, treatment, monitoring, and reporting of risks. The implementation of the ERM components is detailed here below.

- 1. Establish context:** This involves an understanding and appraisal of BUBL's external, internal, and organizational environments. This also includes consideration of the risk management structure, policies, and procedures for risk management, risk appetite, and reporting frameworks.
- 2. Identify risks:** Risk identification aims to recognize possible risks that may affect, the achievement of the strategic objectives of the institution or department. To manage risks, risks to which BUBL is exposed must first be identified. Risk and control self-assessment (RCSA) is a process through which operational risks and the effectiveness of controls are assessed and examined. The objective is to provide reasonable assurance that all the bank's business objectives will be met. BUBL's approach for conducting RCSA is to hold discussions or through questionnaires with the respective stakeholders to identify and assess risks and controls in their respective areas of operations.
- 3. Analyze risks:** This step of the risk assessment process helps make informed decisions about which risks require treatment strategies. Risk analysis requires that for each risk event assess the risk exposure in terms of likelihood and consequence. Risk analysis involves; the determination of the likelihood of the risk occurring, the determination of the impact/consequences if the risk occurs, and the determination of the level of risk.
- 4. Evaluate the risks:** The purpose of risk evaluation is to make decisions, about which risks need treatment and treatment priorities. One way of prioritizing risks is to order the risks according to their risk ratings, from highest level of risk to lowest. This hierarchy then helps decide how best to allocate the resources to treat the risk.
- 5. Risk treatment or Management:** The objective of this stage of the risk assessment process is to develop cost effective options for treating the risks. It is important to note that where risks have been assessed as unacceptable, action plans are put in place to manage and mitigate those risks. It is unlikely that risks will ever be entirely eliminated, but by demonstrating that actions are being implemented, the risks may be reduced to a more acceptable level.
- 6. Risk Monitoring and Review:** The purpose of this step is to ensure that information about identified risks is updated regularly. Monitoring and review is an ongoing part of risk management that is integral to every step of the process. It ensures that the important information generated by the risk management process is captured, used and maintained.
- 7. Risk reporting and communication:** The Risk Assessment reports form a basis of risk awareness sessions held at each reviewed business unit and involve all unit staff. These reports act as another source for identifying institution wide risks that are discussed at the Management risk committee and all senior management staff are members of the MRC.

V. Risk Reporting to Board and Management

| To whom | From whom | What to Report | When |
|--------------------------|----------------------------------|--|---------------------|
| Risk Department | Departments, Units, and branches | Departmental / Unit / Branch Risk Register | Quarterly |
| | Departments, Units, and branches | Incident Reports | As they occur |
| Departments and branches | Risk Department | Risk monitoring and review reports | As they occur |
| CEO/ COO | Risk Department | Incident Reports | As they occur |
| | Risk Department | Risk monitoring and review reports | As per plan. |
| MRC | Risk Department | Consolidated enterprise-wide risk profile report | Monthly & Quarterly |
| | Risk Department | Stress test or business continuity test reports | Quarterly |
| Board | MRC | BUBL's Risk Profile | Quarterly |

VI. Stress Testing

The stress test conducted is qualitative or quantitative and uses sensitivity analyses of specific risk types to which the institution is most exposed. BRAC Uganda Bank Ltd identifies, assesses and tests its resilience to shocks relating to material shocks it faces including the inter-relationship between different risks.

The stress tests identify the key risks in the bank and they are conducted to assess the institution's resilience to plausible shocks. The focus of the stress tests is placed on six major potential sources of vulnerabilities for the bank or risk factors namely Strategic, Credit, Operational, Liquidity, and Market risk.

VII. Risk Management Strategies

BUBL employs four options for treating risks which are considered in light of cost and benefit for implementing the actions. The options are:

- Accept Risk** The risk can be retained if it is deemed acceptable to the institution. However, plans should be put in place to manage the consequences of the risk should it occur.
- Avoid Risk** Decide not to proceed with an activity likely to generate the risk, where this is practicable. However, the business objectives still need to be borne in mind and inappropriate risk aversion may increase risk in other areas.
- Reduce Risk** This involves controlling the likelihood of the risk occurring, or controlling the impact or the consequences if the risk occurs. This may be achieved by consideration of the following actions: -
- Enhanced management controls such as reviewing policies and

- procedures, quality control checks
- Structured training and supervision of staff.
- Periodic testing of controls, e.g. fire alarms, systems.
- Improved compliance monitoring and audit programs.
- Contingency planning such as Disaster Recovery plans, Business Continuity plans.

Transfer Risk This involves moving the responsibility to another party or sharing the risk by use of a contract, insurance, outsourcing or partnership/ joint venture.

VIII. Internal Controls and Procedures for Market Disclosures.

1.0 Introduction.

A disclosure Policy for Pillar 3 Information was developed and approved, this outlines the procedures and controls established by Brac Uganda Bank Ltd for the disclosure of Market Discipline information under Pillar 3 of the Basel III framework. The purpose of this policy is to ensure transparency and consistency in the disclosure process, facilitating the understanding of BUBL's risk profile and capital adequacy by stakeholders.

2.0 Governance Structure.

- **Board Oversight:** The Board of Directors approves and oversees the implementation of this disclosure policy. The Board ensures that the policy is in compliance with regulatory requirements and aligns with the bank's risk management objectives.
- **Management Risk Committee:** The Risk Management Committee monitors the effectiveness of the disclosure policy, reviews disclosure materials, and addresses any material changes or deficiencies.

3.0 Scope of Disclosure.

The disclosure encompasses all relevant Market Discipline information as prescribed by regulatory guidelines, including but not limited to risk exposures, capital adequacy, credit risk, market risk, liquidity risk, and operational risk.

4.0 Disclosure Process.

- **Frequency:** The disclosure is made on a quarterly, semi-annual, and annual basis depending upon the nature of the specific disclosure requirement. The Pillar 3 disclosures is made available within thirty (30) calendar days after the end of the relevant reporting period.
- **Publication Channels:** BUBL publishes its Pillar 3 Market Discipline information on its website, presenting it as a standalone document for easy access. This document serves as a comprehensive resource, offering users readily available insights into prudential measures.

- **Archiving:** BUBL makes available on its website an archive of Pillar 3 disclosure requirements relating to prior reporting periods, for at least five years.

5.0 Internal Controls and Assurance

- **Data Integrity and Review:** Disclosure materials are subject to rigorous examination by representatives from risk management, finance, and compliance functions to ensure adherence to regulatory mandates and internal protocols.
- **Internal Audit:** Internal Audit performs independent evaluations of the disclosure process, data validation procedures, and reconciliation processes to assure the adequacy of controls and compliance with regulatory requirements.
- **Attestation and Approval:** The Board provides written attestation, affirming that the Pillar 3 reports have been meticulously prepared following internally established control processes sanctioned by the Board.

6.0 Confidentiality and Data Protection

- **Confidential Information:** Any confidential or proprietary information not intended for disclosure is identified and safeguarded to prevent unauthorized access or dissemination.
- **Data Protection:** Adequate measures are implemented to protect Market Discipline information from unauthorized access, manipulation, or loss, following applicable data protection and privacy regulations.

7.0 Compliance and Enforcement

With the guidance of the Head of Compliance, the bank remains vigilant to changes in regulatory guidelines and promptly update the disclosure policy and procedures to ensure continued compliance.

DIS03- Overview of Risk Weighted Assets (RWA)

| | | Figures in Ush '000s | | Minimum capital requirements |
|----------|--|----------------------|--------------------|------------------------------|
| | | Dec-25 | Sep-25 | Dec-25 |
| 1 | Credit risk (excluding counterparty credit risk) | 250,178,553 | 238,480,497 | 30,021,426 |
| 2 | Counterparty credit risk (CCR) | - | - | - |
| 3 | Market risk | 1,022,654 | 1,076,416 | 122,719 |
| 4 | Operational risk | 18,030,855 | 17,690,749 | 2,163,703 |
| 5 | Total (1 + 2 + 3 + 4) | 269,232,063 | 257,247,662 | 32,307,848 |

Total Risk-Weighted Assets increased between December 2025 and September 2025, primarily due to a UGX 11.7 billion rise in Credit Risk exposures, mainly driven by a growth in the net loan portfolio.

Brac Uganda Bank Limited maintains a robust capital position, with Core capital totalling UGX 51.9 billion as of December 2025, comfortably exceeding the minimum requirement of UGX 32.3 billion (Core Capital buffer of 6.8%).

DIS04- Composition of regulatory capital

| | | Dec-25 | Jun-25 |
|---|---|------------------------|------------------------|
| | | Amounts in UGX '000 | Amounts in UGX '000 |
| Common Equity Tier 1 capital: instruments and reserves | | | |
| 1 | Permanent shareholders' equity (issued and fully paid-up common shares) | 54,421,880 | 54,421,880 |
| 2 | Share premium | | |
| 3 | Retained earnings | 4,283,624 | 6,089,290 |
| 4 | Net after-tax profits current year-to-date (50% only) | 3,067,985 | 988,366 |
| 5 | General reserves (permanent, unencumbered, and able to absorb losses) | | |
| 6 | Tier 1 capital before regulatory adjustments | 61,773,489 | 61,499,537 |
| Tier 1 capital: regulatory adjustments | | | |
| 8 | Goodwill and other intangible assets | 6,059,851 | 6,525,405 |
| 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 (deferred income tax asset) | 2,518,000 | 3,561,912 |
| 26 | Other deductions determined by the Central bank (unrealized foreign exchange gains) | 1,053,674 | 163,947 |
| 28 | Total regulatory adjustments to Tier 1 capital | 9,862,761 | 10,251,263 |
| 29 | Tier 1 capital | 51,910,729 | 51,248,273 |
| Tier 2 capital: Supplementary capital | | | |
| 46 | Revaluation reserves on fixed assets | | |
| 47 | <i>Unencumbered general provisions for losses (not to exceed 1.25% of RWA)</i> | 2,110,377 | 1,953,313 |

| | | Dec-25 | Jun-25 |
|----|---|--------------------|--------------------|
| 48 | Hybrid capital instruments | | |
| 49 | <i>Subordinated debt (not to exceed 50% of core capital subject to a discount factor)</i> | 612,790 | 597,489 |
| 58 | Tier 2 capital | 2,723,167 | 2,550,802 |
| 59 | Total regulatory capital (= Tier 1 + Tier2) | 54,633,895 | 53,799,075 |
| 60 | Total risk-weighted assets | 269,232,063 | 244,022,870 |
| | Capital adequacy ratios and buffers | | |
| 61 | Tier 1 capital (as a percentage of risk-weighted assets) | 19.3% | 21.0% |
| 63 | Total capital (as a percentage of risk-weighted assets) | 20.3% | 22.0% |
| 64 | Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets) | | |
| 65 | Of which: capital conservation buffer requirement | 2.5% | 2.5% |
| 66 | Of which: countercyclical buffer requirement | - | - |
| 67 | Of which: bank-specific systemic buffer requirement | - | - |
| 68 | Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements | 6.8% | 8.5% |
| | Minimum statutory ratio requirements | | |
| 70 | Tier 1 capital adequacy ratio | 12.5% | 12.5% |
| 71 | Total capital adequacy ratio | 14.5% | 14.5% |

Tier 1 capital decreased from 8.5% in June 2025 to 6.8% in December 2025, driven by a faster growth of risk-weighted assets by 10% from UGX 244.02 billion to UGX 269.23 billion compared to the core capital that increased by 1.3% from UGX 51.24 billion to UGX 51.91 billion.

DIS05- Asset Quality

| Amounts in UGX '000 | | 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 | 6,612,807 | 203,706,644 | 2,975,578 | 2,110,377 | 2,006,907 | 205,233,495 |
| 2 | Debt Securities | - | - | - | - | - | - |
| 3 | Off-balance sheet exposures | - | - | - | - | - | - |
| 4 | Total | 6,612,807 | 203,706,644 | 2,975,578 | 2,110,377 | 2,006,907 | 205,233,495 |

As of December 31, 2025, non-defaulted exposures increased to UGX 203.7 billion from UGX 187.8 billion as of June 30, 2025, representing 96.9% of gross exposures. This reflects strong and stable asset quality.

DIS06- Changes in the stock of defaulted loans and debt securities

| | | Amounts in UGX '000 December 2025 |
|---|--|--------------------------------------|
| 1 | Defaulted loans & advances, debt securities, and off-balance sheet exposures at the end of the previous reporting period | 7,220,241 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 4,434,497 |
| 3 | Returned to non-defaulted status | 85 |
| 4 | Amounts written off | 2,390,541 |
| 5 | Other changes | 2,651,306 |
| 6 | Defaulted loans & advances, debt securities, and off-balance sheet exposures at the end of the reporting period (1+2-3-4-5) | 6,612,807 |

Defaulted exposures reduced to UGX 6.61 billion in December 2025 from UGX 7.22 billion in June 2025. This rise was primarily due to a higher rate of payoffs and recoveries, totalling UGX 2.65 billion, compared to UGX 2.31 billion in June 2025.

Additionally, the Loans that have defaulted since the last reporting period reduced to UGX 4.4 billion from UGX 4.9 billion.

DIS07- Qualitative disclosure on SFIs' use of external credit ratings under the standardized approach for credit risk

The Bank has not used an external credit rating agency for credit risk assessment.

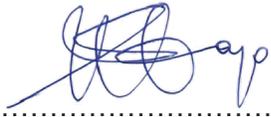
Declaration

The Board recognizes its duty to uphold the integrity of this report, which, in its assessment, accurately presents BRAC Uganda Bank Limited and comprehensively addresses all material factors affecting the Bank's ongoing viability. The Pillar III report has been meticulously prepared in alignment with the board-endorsed internal control protocols.

Authorized on behalf of BRAC Uganda Bank Limited:



Board Chairperson



CEO/ Managing Director