

PILLAR 3
MARKET DISCLOSURE REPORT

31st December 2025

DIS01: Key Prudential Metrics**Purpose:** Provide an overview of a SFI's prudential regulatory metrics.

Scope of application: The template is mandatory for all SFIs.

Content: Key prudential metrics related to regulatory capital, leverage ratio and liquidity standards. SFIs are required to disclose each metric's value using the corresponding standard's specifications for the reporting period-end (designated by T in the template below) as well as the four previous quarter-end figures (T-1 to T-4).

All metrics are intended to reflect actual bank values for (T)

Frequency: Quarterly.**Accompanying narrative:** SFIs are expected to supplement the template with a narrative commentary to explain any significant change in each metric's value compared with previous quarters, including the key drivers of such changes (eg whether the changes are due to changes in the regulatory framework, group structure or business model).

		A	B	C	D	E
	Amount Ushs' 000'	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
	Available capital (amounts)					
1	Core capital	206,014,595	201,144,927	197,664,554	189,876,303	184,323,998
2	Supplementary capital	11,855,313	11,757,161	11,445,324	11,382,091	11,715,589
3	Total capital	217,869,908	212,902,088	209,109,878	201,258,394	196,039,587
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	909,325,535	856,862,874	827,886,542	863,682,549	819,359,554
Risk-based capital ratios as a percentage of RWA						
5	Core capital ratio (%)	23%	23%	24%	22%	22%
6	Total capital ratio (%)	24%	25%	25%	23%	24%
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 (%)	10.2%	11.0%	11.4%	11.4%	9.5%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	1,931,606,760	1,775,005,121	1,961,864,361	1,765,005,766	1,497,546,647
14	Basel III leverage ratio (%) (row 1 / row 13)	10.67%	11.33%	10.08%	10.76%	12.31%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA)	278,689,468	265,681,222	425,767,324	203,702,866	165,721,197
16	Total net cash outflow	98,432,355	174,209,126	36,069,802	28,941,874	118,218,566
17	LCR (%)	283%	153%	1180%	704%	140%
Net Stable Funding Ratio						
18	Total available stable funding	1,336,123,510	1,093,171,624	1,346,482,654	1,214,402,630	803,208,439
19	Total required stable funding	1,102,725,220	1,073,289,725	1,102,406,515	1,137,581,110	582,928,860
20	NSFR	121%	102%	122%	107%	138%

Instructions

Row Number	Explanation
1	Total Basel III leverage ratio exposure measure = This is the sum of Total assets and total off-balance sheet items used in the computation of the leverage ratio.
2	Total HQLA: As per Financial Institutions (Liquidity) Regulations 2022
3	Total net cash outflow: As per Financial Institutions (Liquidity) Regulations 2022.

DIS03: Overview of RWA

Purpose: Provide an overview of total RWA forming the denominator of the risk-based capital requirements.

Scope of application: The template is mandatory for all banks.

Content: Risk-weighted assets and capital requirements under Pillar 1. Pillar 2 requirements should not be included.

Frequency: Quarterly.

Accompanying narrative: Banks are expected to identify and explain the drivers behind differences in reporting periods T and T-1 where these differences are significant.

When minimum capital requirements in column (c) do not correspond to 12% of RWA in column (a), banks must explain the adjustments made.

Amount Ushs' 000'		A		B	C
		RWA		Minimum capital requirements	T
		Dec-25	Sep-25		
1	Credit risk (excluding counterparty credit risk)	844,684,964	794,087,241	101,362,196	
2	Counterparty credit risk (CCR)	13,330,882	13,768,320	1,599,706	
3	Market risk	2,400,126	4,457,310	288,015	
4	Operational risk	48,909,564	44,550,003	5,869,148	
5	Total (1 + 2 + 3 + 4)	909,325,535	856,862,874	109,119,064	

Should not be less than 12% of total RWA

Definitions and instructions

RWA: risk-weighted assets according to Part A of the BS100B

RWA (T-1): risk-weighted assets as reported in the previous Pillar 3 report (ie at the end of the previous quarter).

Minimum capital requirement T: Pillar 1 capital requirements at the reporting date i.e. 12% of RWA.

Row Number	Explanation
1	Credit risk (excluding counterparty credit risk): RWA and capital requirements according to the credit risk framework reported in the BS100A;
2	Counterparty credit risk: RWA and capital charges according to the counterparty credit risk framework, as reported in the BS100A.
3	Market risk: the amounts reported correspond to the RWA and capital requirements in the BS100B(I).
4	Operational risk: the amounts corresponding to the Pillar 1 requirements in the BS100B(II)

DIS04: Composition of regulatory capital.

Purpose: Provide a breakdown of the constituent elements of a SFI's capital.

Scope of application: The template is mandatory for all SFIs.

Frequency: Semiannual.

Accompanying narrative: SFIs are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such change.

		Amount Ushs'000
	Common Equity Tier 1 capital: instruments and reserves	
1	Permanent shareholders equity (issued and fully paid-up common shares)	203,520,090
2	Share premium	
3	Retained earnings	(95,393)
4	Net after tax profits current year-to date (50% only)	22,338,006
5	General reserves (permanent, unencumbered and able to absorb losses)	
6	Tier 1 capital before regulatory adjustments	225,762,703
	Tier 1 capital: regulatory adjustments	
8	Goodwill and other intangible assets	19,748,108
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	
26	Other deductions determined by the Central bank	
28	Total regulatory adjustments to Tier 1 capital	19,748,108
29	Tier 1 capital	206,014,595
	Tier 2 capital: Supplementary capital	
46	Revaluation reserves on fixed assets	4,249,743
47	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	7,605,570
48	Hybrid capital instruments	
49	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	
58	Tier 2 capital	11,855,313
59	Total regulatory capital (= Tier 1 + Tier2)	217,869,908
60	Total risk-weighted assets	909,325,535
	Capital adequacy ratios and buffers	
61	Tier 1 capital (as a percentage of risk-weighted assets)	23%
63	Total capital (as a percentage of risk-weighted assets)	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)	12.5%
65	Of which: capital conservation buffer requirement	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	10.2%
	Minimum statutory ratio requirements	
70	Tier 1 capital adequacy ratio	23%
71	Total capital adequacy ratio	24%

Instructions

i) Shading:

Each dark grey row introduces a new section detailing a certain component of regulatory capital.

Light blue rows represent the sum cells in the relevant section.

Light grey rows show the main components of regulatory capital and the capital adequacy ratios.

DIS05: Asset Quality**Purpose:** Provide a comprehensive picture of the credit quality of a SFI's (on- and off-balance sheet) assets.**Scope of application:** The template is mandatory for all SFIs.**Frequency:** Semi-annual.

		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)
	Amount Ushs' 000	Defaulted exposures	Non-defaulted exposures	Specific	General		
1	Loans and advances	176,732,965,435	607,182,710,054	14,741,525,434	7,605,570,584	8,617,091,640	752,951,487,831
2	Debt Securities						
3	Off-balance sheet exposures		17,125,345,705				
4	Total	176,732,965,435	624,308,055,759	14,741,525,434	7,605,570,584	8,617,091,640	752,951,487,831

Definitions

Gross carrying values: on- and off-balance sheet items that give rise to a credit risk exposure. On-balance sheet items include loans and debt securities. Off-balance sheet items must be measured according to the following criteria: (a) guarantees given – the maximum amount that the SFI would have to pay if the guarantee were called. The amount must be gross of any credit conversion factor (CCF) or credit risk mitigation (CRM) techniques. (b) Irrevocable loan commitments – total amount that the SFI has committed to lend. The amount must be gross of any CCF or CRM techniques. Revocable loan commitments must not be included. The gross value is the accounting value before any allowance/impairments but after considering write-offs. SFIs must not take into account any credit risk mitigation technique.

Write-offs for the purpose of this template are related to a direct reduction of the carrying amount when the entity has no reasonable expectations of recovery.

Defaulted exposures: SFIs should use the definition of default in accordance with the FIA2004/MDIA2003 requirements.

Non-defaulted exposures: Any exposure which is not in default in accordance with FIA2004/MDIA2003 requirements

Accounting provisions for credit losses: Total amount of provisions, specific and general as per FIA2004/MDIA2003 requirements

Net values: Total gross value less provisions and interest in suspense.

Debt securities: Debt securities exclude equity investments subject to the credit risk framework.

DIS06: Changes in stock of defaulted loans and debt securities

Purpose: Identify the changes in a SFI'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.

Scope of application: The template is mandatory for all SFIs.

Content: Off-balance sheet exposures should be included.

Frequency: Semiannual.

Accompanying narrative: SFIs should explain the drivers of any significant changes in the amounts of defaulted exposures from the previous reporting period and any significant movement between defaulted and non-defaulted loans.

	Amount Ushs' 000	A	B	Accompanying Narratives
1	Defaulted loans & advances, debt securities and off balance sheet exposures at end of the previous reporting period	170,213,575,800	152,532,959,346	
2	Loans and debt securities that have defaulted since the last reporting period	104,788,091,429	99,775,182,355	7,764 loans moved from non-default to defaulted status with largest contribution from Business Loans (41.4%), Work place banking (32.1%) and Agriculture Loans (25.6%)
3	Returned to non-defaulted status	90,514,926,354	74,816,075,956	Loans moved from default to non defaulted status during the period
4	Amounts written off	7,753,775,440	7,278,489,945	Write Offs in line with FIA regulatory requirements
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)	176,732,965,435	170,213,575,800	

Definitions

Defaulted exposure: such exposures must be reported net of write-offs and gross of (ie ignoring) provisions.

Loans & advances, debt securities and off balance sheet items that have defaulted since the last reporting period: Refers to any loan, advance, debt security or off balance sheet item that became marked as defaulted during the reporting period.

Return to non-defaulted status: Refers to loans or debt securities that returned to non-default status during the reporting period.

Amounts written off: Both total and partial write-offs.

Other changes: Any items not covered under 1-4 above

RISK MANAGEMENT APPROACH

1.0. RISK GOVERNANCE STRUCTURE & RELATIONSHIP

Pearl Bank Uganda Limited is 100% owned by the Government of Uganda and is run by the Board of Directors and its attendant sub-committees such as the Board Assets and Liability Management Committee, Board Human Resources and Compensation Committee, Board Risk & IT Committee, Board Credit Committee, and the Board Audit Committee as provided for under the Financial Institutions (Corporate Governance) Regulations, 2024 and Bank of Uganda Consolidated Corporate Governance Guidelines. The Bank's day-to-day operations are run by a management team headed by the Managing Director/CEO.

1.1. Board Oversight

All the committees are led by experienced and competent Non-Executive Directors, in line with best Corporate Governance practices. The Board Audit Committee is strictly comprised of the Independent Non-Executive Directors. Management presents management reports to these sub-committees quarterly or as and when required by the Board. The responsibilities of Board and management Committees are listed below:

1.1.1. Board Committees

Board Committee Name	Responsibility
Board Risk & IT Committee. (Consists of 3 members).	<ul style="list-style-type: none"> Advises the Board on its oversight responsibilities in relation to risk management activities. Advise the Board on the development and implementation of the Bank's risk appetite and report on the state of key risk events, risk culture and the performance and interaction of the Chief Risk Officer (CRO). Oversee the Bank's Compliance with applicable laws, regulations and regulatory requirements that may impact the Bank's risk profile. Approve the Bank's IT strategy and provide directions on IT activities. Provide oversight into IT governance controls supporting outsourced IT services. Monitor the progress of technology IT projects, services and investments as well as the disposal of IT Property. Ensures full oversight of the Bank's IT and Cyber Security infrastructure and shall have access to all key reports on IT operations.
Board Credit Committee; (Consists of 3 members).	<ul style="list-style-type: none"> Approve and oversee compliance with the Bank's lending policy. Delegate lending limits to approved sanctioning authorities of the Bank. Approve credit facilities that are above the sanctioning authority of Management. Approve policies and procedures governing the implementation of the International Financial Reporting Standard 9 (IFRS9). Approve the write-off of non-performing credit facilities. Ensure that the credit policy and risk lending limits are reviewed at least annually.
Board Asset & Liability Management Committee (Consists of 3 members).	<ul style="list-style-type: none"> Assesses the Bank's Liquidity adequacy, Funding Plan, Investment plan, Capital policy and position, and performance of the Bank in relation to Budget. Monitoring the financial institution's policies, procedures and holding portfolio to ensure that goals for diversification, credit quality, counterparty risk, profitability, liquidity, investment, pledging requirements and regulatory compliance are met.
Board Human Resources & Compensation Committee (Consists of 3 members).	<ul style="list-style-type: none"> Provides oversight over the bank's people strategy in terms of talent acquisition, talent growth, learning and development, remuneration and compensation, staff welfare, talent retention, staff disciplinary matters among others. The Board HR committee is crucial regarding compensation of directors, officers, and key management personnel of the Bank. Approve the organizational structure of the Bank as well as any structural changes.
Board Audit Committee (Consists of 3 members).	<ul style="list-style-type: none"> Ensure that there is an effective system of internal control, governance, and risk management by giving independent assurance.

1.2. Management Committees

The Management committees, through the Board delegated authority and their defined responsibilities support the Board of Directors in the identification, assessment, monitoring, mitigation and reporting of risk within Pearl Bank.

Management Committee Name	Description
Executive Committee (EXCO)	<ul style="list-style-type: none"> The Executive Committee is aided by an effective and experienced management team that is responsible for delivering and cascading the strategy of the bank with focus on the scorecard that includes the following strategic pillars; <ol style="list-style-type: none"> Performance, Risk and Governance, Service Innovation and; People. The EXCO lineup includes the Managing Director/CEO, Executive Director/Chief Digital Financial Services Officer, Executive Director – Operations, Chief Retail Officer, Chief Financial Officer, Chief people and Strategy Officer, Chief Legal Officer & Company Secretary, Chief Technology Officer, Chief Internal Auditor, Chief Corporate & Institutional Banking Officer, Chief Treasury & Markets Officer, Chief Information Security Officer and the Chief Risk Officer. EXCO is accountable for the bank's strategy implementation process and ownership of Board directives with the prerogative to pass on identified tasks to different responsibility centers and enforce execution through the bank's organizational and corporate governance structures/framework.
Contracts Committee	<ul style="list-style-type: none"> Has the mandate to preside over all business procurement and disposal transactions in compliance with PPDA Act and regulations. The committee membership is appointed by the PSST (Permanent Secretary-Ministry of Finance & secretary to the Treasury) on recommendation of the Managing Director/Accounting Officer
Management Risk Committee (MRC)	<ul style="list-style-type: none"> Ensures that there is an established risk management framework in the Bank and, its structural layout and implementation processes are in full compliance with the Bank of Uganda Risk Management Guidelines and, all other relevant laws, regulations, and prudential guidelines. Evaluates the bank's risk profile and overall level of risk appetite monthly. Reviews and recommends all risk management policies for Board approval and take ownership of the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment Process (ILAAP). Promotes and sustains a high level of risk management culture within the Bank.
Management Credit Committee	<ul style="list-style-type: none"> Ensures that there is an established credit risk management framework of the Bank and, its structural layout and implementation processes comply with the Bank of Uganda Risk Management Guidelines and, all other relevant laws, regulations, and prudential guidelines. Adopts the Pearl Bank's Credit Policies and all amendments thereto and ensuring compliance therewith. Ensures that there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss, and maximize recoveries. Reviews and recommends to the Board Credit Committee concentration risk policies, underwriting guidelines, and standard proposals within the Board's overall risk appetite Approve credit limits and take lending decisions within the limits delegated by the Board and further delegate credit limits internally as required. Review all exceptions to policy and recommend to the Board for approval. Approve new credit products and processes. Reviews the efforts of the recoveries team in recovery from the NPA/written off portfolio.
Management Assets & Liabilities Committee.	<ul style="list-style-type: none"> Ensures that there is an established liquidity, interest rate, foreign exchange, capital risk management framework, treasury and market code in the Bank and, its structural layout and implementation processes are in congruence with the Bank of Uganda Risk Management Guidelines and, all other relevant laws, regulations, and prudential guidelines.

	<ul style="list-style-type: none"> • Ensures that asset-liability maturity patterns are monitored and adopt measures to minimize as far as possible, the interest rate risk and liquidity risk resulting from mismatched maturities. • Reviews liquidity, interest rate and foreign exchange limits to ensure that they are in adherence to regulatory and the bank's internal limits. • • Reviews deposit funding trends, including deposit concentration, deposit product mobilization campaigns. • • Ensures that all strategies conform to the bank's risk appetite and levels of exposure as determined by the Board Asset and Liability Management Risk Committee.
Projects Steering Committee	<ul style="list-style-type: none"> • Ensures prioritization of key projects execution to create operational efficiency, drive business growth and thus, lead to appropriate management of risks inherent in the business projects and ultimate performance of the bank. • Ensuring that projects are managed within the defined scope, time, cost and tracking projects benefits realization. • Approve projects and initiatives based on agreed criteria. • Evaluates and manages the project investment portfolio. • Prioritizes projects, allocation of funding, resources, sequencing, and dependencies within and between projects. • Approves variation in project delivery relating to timing, scope, and cost where outside the agreed tolerance initially defined for that respective initiative. • Ensure adherence to Pearl Bank's project management and change governance processes. • Ensures that Pearl implementation reviews are conducted on projects to evaluate whether project objectives were met and ensure business benefits are delivered. • Approve the constitution of the project team in consideration of the roles and responsibilities and balancing project work with Business as usual (except for the project team)
Products Development Management Committee	<p>Responsible for:</p> <ul style="list-style-type: none"> • Identification and profiling of customer needs. • Spearheading the development of new products and services to ensure, products are appropriately costed and priced. • Spearheading modifications of existing products and services to suit evolving customer needs. • Coordinating the rollout of new products and services in the Bank. • Monitoring the performance of products and services by customer uptake and utilization in line with the business strategic goals and objectives. • Continuous monitoring of the competitive environment to ensure the relevance of the Bank's products and services to its clientele is maintained through appropriate modifications and initiatives. • Spearheading all products and services awareness campaigns within and out of the Bank.
ICT Steering Committee	<p>Committee mandate includes;</p> <ul style="list-style-type: none"> • Monitoring and reviewing implementation of the Information Technology reliant projects, budget allocation and performance reporting with particular emphasis on quality, risk management, benefits realization, and change management. • Advising Management & the Board on strategic issues and policies relating to Information Technology.

	<ul style="list-style-type: none"> • Evaluating and making recommendations for investment in information technology and in the Information Technology Department. • Ensuring risk assessments are carried out for major IT projects undertaken in the Bank. • Reviewing and following up for closure of IT and systems security related risks/gaps in the business as reported by different stakeholders. • Reviewing and approving a bank-wide disaster recovery plan and ensuring its effective implementation. • Ensuring appropriate IT and Information Security policies and procedures are in place and they are adequate, enforced and regularly reviewed for effectiveness to promote sound IT and information security management practices. • Ensuring that all regulatory guidelines and standards for technological use are implemented by the bank to meet its compliance requirements. • Ensures optimal resource utilizations during ICT initiatives/projects implementation including proper management of ICT infrastructure, human capital, and finances. • Facilitates alignment of ICT with the bank's business needs so that ICT initiatives and services facilitate achievement of the bank's strategic objectives.
<p>Basel Implementation Committee.</p>	<p>The committee's mandate is as defined below;</p> <ul style="list-style-type: none"> • To champion the implementation of Basel II Framework and Basel II requirements within Pearl Bank. • Communicate issues related to Basel II implementation throughout the bank. • Set a framework for Basel II and oversee the implementation process. • Build capacity based on the training needs of the institution. • Establish internal data requirements.
<p>Change Advisory Board (CAB)</p>	<ul style="list-style-type: none"> • Change Management is the process of ensuring changes are properly assessed, approved, planned, communicated, built, and tested before being implemented. • The Change Advisory Board (CAB) provides support to the change management team by approving requested changes and assisting in the assessment and prioritization of changes. • This committee is generally made up of Business Technology and Business representatives that include: a Change Manager, User Managers and Groups and Technical experts.
<p>Corporate Social Investment Committee</p>	<p>Committee Mandate:</p> <ul style="list-style-type: none"> • Provide direction and oversee the development and implementation of the Corporate Social Investment ("CSI") initiatives of Pearl Bank Uganda Limited. • Review, agree, establish, and approve the bank's Corporate Social Investment (CSI) strategy and plan and ensure that it remains an integral part of the bank's overall strategy. • Monitor, receive reports and review activities from all CSI activities for effective implementation. • Ensuring that appropriate CSI policies and procedures are in place and, they are adequate, enforced and regularly reviewed for effectiveness to promote sound. • CSI management practices. • Monitor compliance with the CSI policies and review performance of all initiatives against agreed targets. • Review the integration of CSI processes with the Bank's broader business, risk management and reputation management priorities.

	<ul style="list-style-type: none"> Review management information on employee volunteering or other activities in support of the CSI initiatives, monitor internal and external feedback on the implementation of the CSI initiatives, and make recommendations to improve the coverage and effectiveness of the relevant initiatives. Review best practice in key CSI areas by benchmarking where possible. Advising Management & the Board on strategic CSI issues and policies. Ensuring impact and risk assessments are conducted for major CSI projects undertaken in the Bank
Model Approval Committee	<p>Committee Mandate:</p> <ul style="list-style-type: none"> The Model Approval Committee (MAC) has responsibility for the review and approval of the model governance procedures. Approval to start the (re) development of a model based on the model development plan. Maintain a centralized model inventory with appropriate documentation standards. Ensure that validation processes such as stress testing and sensitivity testing are executed before and during model use. Assess the model risk identification, measurement and mitigation of identified risks. Track the performance and approval of any decommissioning of a model.

1.3. Bank Policies and procedures

The bank has well established sound and adequate policies, procedures, and processes that guide its activities. All policies and procedures are subjected to structural review and enhancement on an annual basis to ensure continued regulatory compliance, alignment with best practices, and relevance to the ever-changing business and operating environment. These policies and procedures are centrally maintained and are accessible to all staff through the Bank's online bank-wide SharePoint platform, ensuring consistency, awareness, and ease of reference across the institution.

2.0. COMMUNICATION CHANNELS & RISK CULTURE

Management has put in place key communication channels for purposes of promoting good risk management practices and risk culture. These include:

- Induction at staff onboarding level for all staff joining the bank.
- Continuous internal trainings – online and classroom/workshop set up on an ongoing basis; minimum annually.
- Targeted/Specialized External training and Continuous Professional Development programs.
- Regular Town Halls and communication from the Leadership.
- E-mail communications on key aspects of strategy and risk management through our internal Marketing and Communications department.
- Whistleblowing channels to report misconduct, fraud, corruption or any other actual or suspected unethical behavior.
- Communication of our zero-tolerance stance to fraud.

3.0. SCOPE AND CONTENT OF RISK EXPOSURE AND MANAGEMENT

Pearl Bank's risk profile and risk exposures are generated based on the assessment of inherent risks pertaining to the identified risks and the controls in place hence the ultimate residual risk and overall risk management assessment. Our assessment is in line with the regulatory/Bank of Uganda guidance.

3.1. Board and Senior Management reporting:

Board's key responsibilities include providing strategic direction, policy formulation, decision making and providing oversight on executive management.

Board reporting happens on a quarterly basis by management through the EXCO leaders who prepare, submit and present respective reports to the respective Board sub committees.

The discussions at the Board sub committees are documented and resultant actions/resolutions documented and tracked.

On a quarterly basis, the Board of Directors is apprised of the level of implementation or closure of these action items.

At a Senior Management level, monthly meetings for the different committees as highlighted are held. Key risks and opportunities are discussed, and both the Board and Management action items tracked.

3.2. Bank's risk profile.

The Management Risk Committee and the Board Risk committee are central in discussing the overall risk profile of the bank with the main content of the report covering main risks faced by the bank. As of 31st December 2025, the bank's risk profile/risk exposure was scoped, assessed, and reported as Acceptable. The scope of the risks is indicated below:

PBU RISK PROFILE & OVERALL RISK MATRIX - 31 ST DECEMBER 2025

S/N	Risk Type	Internet Rating	Q1 2025 Residual Risk	Q2 2025	Q3 2025	Q4 /DEC 2025
1.	Operational Risk	High	Moderate	Moderate	Moderate	Moderate
2.	Conduct Risk	Moderate	Moderate	Moderate	Moderate	Moderate
3.	Credit Risk	High	Moderate	Moderate	Moderate	Low
4.	Compliance Risk	High	Moderate	Moderate	Moderate	Moderate
5.	Technology/ Cyber risk	High	Moderate	Moderate	Moderate	Low
6.	Legal Risk	High	Low	Low	Low	Low
7.	Strategic Risk	High	Moderate	Moderate	Moderate	Moderate
8.	Project Risk	Moderate	Low	Low	Low	Low
9.	Product Risk	Moderate	Low	Low	Low	Low
10.	Country Risk	Moderate	Low	Low	Low	Low
11.	Liquidity Risk	High	Moderate	Moderate	Moderate	Low
12.	Market Risk	Moderate	Low	Moderate	Moderate	Low
13.	Outsourcing Risk	Low	Low	Low	Low	Low
14.	Reputational Risk	Low	Low	Low	Low	Low
15.	Health & Safety Risk	Low	Low	Low	Low	Low
16.	ESG Risks	Moderate	Low	Low	Low	Low
17.	Stakeholder Risk	Low	Low	Low	Low	Low
OVERALL RISK MANAGEMENT			ACCEPTABLE	ACCEPTABLE	ACCEPTABLE	ACCEPTABLE

3.3. Our Risks and Opportunities.

3.3.1. Risks

Our top risks are generated by our activities in operations, business technology, digitization, financial markets and credit.

3.3.1.1. Credit Risk:

This is defined as the risk of loss resulting from a borrower or counterparty defaulting in meeting his/her PBU obligations in accordance with the agreed terms.

Specifically, Credit will only be extended to:

- a. Formal and viable businesses, customers with repayment, individuals and entries with a known repayment source, businesses dealing in illegal, immoral, and speculative transactions or any activity against the law or the constitution of Uganda.
- b. Applicants that have never been declared insolvent, those with no outstanding / written off facilities / adverse information provided outside CRB.

Our governance around credit risk management is strong. We have put in place robust credit administration, credit analysis, credit monitoring and credit recovery teams to closely monitor credit risk and manage risk within the bank's risk appetite and approved tolerance levels. We take advantage of data analytics to monitor the key risk indicators closely.

There is a Management Credit Committee and Board Credit committee to oversee the credit risk of the bank and ensure that the strategic objectives have been achieved with the necessary approvals and tolerance limits.

The Bank's exposure in its credit portfolio is impacted by both micro and macro-economic factors as well as government policies which could result in adverse movement in terms of impairment and subsequently the overall profitability and capital position of the Bank. Credit risk makes up the largest part of the Bank's risk exposures. The Bank's credit process is governed by credit policies and procedures, rules, and guidelines with the aim of maintaining a well-diversified credit portfolio.

The Bank's Credit policy reflects the Bank's tolerance for risk i.e., its credit risk appetite. This, as a minimum, reflects the Bank's strategy to grant credit based on various products, economic sectors, client segments, target markets giving due consideration to risks specific to each target market.

The Bank monitors its credit portfolio on a continuous basis in accordance with the approved credit procedures in order to identify credit exposures for which there may be a risk of loss.

The Bank has approved Credit Risk Key Risk Indicators (KRIs) that enable continuous monitoring of portfolio quality against defined thresholds, including Non-Performing Assets (NPA) and Portfolio at Risk (PAR). These KRIs support early risk identification, escalation, and timely management action.

3.3.1.2. Operational Risk.

This is defined as the actual or potential (near miss events) loss resulting from inadequate or failed internal processes, people, and systems, or from external events. The bank will manage operational risk to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Operational Risk Tolerance and Control Standards

The Bank adopts a zero-tolerance and controlled-risk approach across key operational, compliance, people, technology, and third-party risk areas. No level of fraudulent attempt or action whatsoever shall be tolerated at the bank or otherwise and such attempts or actions shall be firmly and legally handled.

3.3.1.3. Regulatory/ Compliance Risk.

This refers to a change in regulations and law that might affect the bank. The bank will comply with laws, regulations, prudential guidelines, supervisory recommendations and directives, rules, internal policies and procedural guidelines and codes of conduct applicable to the bank's activities and avoid business transactions that may negatively impact on our compliance exposure.

The Compliance unit continues to provide the much-required oversight and overall guidance especially under regulatory, Anti Money Laundering and Operational Risk Compliance to mitigate fines and penalties or any compliance related costs that could accrue to the bank.

The Bank has outlined key Compliance and Regulatory Risk Metrics designed to ensure strict adherence to regulatory requirements, timely regulatory engagement, and effective compliance risk management across the Bank.

Below is the Compliance status for major Regulatory ratios as at 31st December 2025.

RATIOS	December 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Regulatory Ratios	Complied
Core capital/RWA BASEL	19.47%	21.31%	23.88%	23.48%	22.66%	≥12.5%	Y
Total capital/RWA BASEL	20.81%	22.58%	25.26%	24.86%	23.96%	≥14.5%	Y
Liquid Assets / Deposits ratio	20.48%	28.32%	33.76%	24.69%	34.90%	≥20%	Y
Cash Reserve Ratio	111.27%	101.69%	100.28%	101.74%	103.11%	≥100%	Y
Forex exposure	1.25%	1.58%	1.13%	1.14%	0.89%	≤25%	Y
Liquidity Coverage Ratio	221%	703.8%	1,180.4 %	152.51%	471.37%	≥100%	Y
Net Stable Funding Ratio	132.97%	106.8%	122.14 %	101.85%	120.64%	≥100%	Y
Loan to deposit ratio	72.33%	57.17%	48.49%	57.70%	52.75%	<82.5%	Y

3.3.1.4. Conduct Risk

Conduct risk is the potential for the Bank's actions to cause harm to its customers, stakeholders or the integrity of the broader financial market. It encompasses the ethical, moral and legal standards that govern how the Bank conducts its business and delivers its products and services.

The Bank's conduct risk appetite is embedded in the design and delivery of its products and services, its governance structures, policies and procedures, as well as the client-centric culture and behaviors promoted across the institution.

Conduct risk, including complaints relating to unethical and unprofessional practices, is managed through the Conduct risk management framework, which clearly articulates expected values, principles and standards of ethical behavior, professionalism, integrity, compliance, transparency, sound decision making and stakeholder engagement.

All employees and related parties are expected to exercise sound personal judgment, integrity, and accountability in the performance of their duties. Ethical leadership is not limited to the Pearl Bank Board of Directors ("Board"); rather, all employees are required to "lead ethically" by consistently demonstrating Pearl Bank's values through their conduct. Internal and external stakeholders are expected to adhere to best banking practices and uphold high ethical and professional standards.

The Bank monitors conduct risk through a suite of Key Risk Indicators (KRIs) designed to provide early warning signals of potential misconduct that could harm customers, market integrity, or the Bank's reputation. These KRIs are forward-looking, measurable, and sensitive to the key drivers of misconduct, enabling proactive management before issues escalate into significant losses or regulatory sanctions.

Conduct risk KRIs are embedded and monitored across relevant functions and business units, including Compliance, Fraud, Credit, Legal, Human Resources, Procurement, Marketing and Communications, Product Development, Branch and Distribution Channels, Agent Banking, Digital and Mobile Banking, Service Management, and Technology.

Pearl Bank adopts a zero-tolerance stance towards conduct breaches and the concealment of misconduct, as outlined in the Conduct Risk Management Framework. All complaints are investigated thoroughly and impartially. The Bank will not tolerate malicious, vexatious, or bad-faith complaints, and such actions may result in disciplinary measures.

3.3.1.5. Strategic Risk

Strategic risk refers to the possibility of an economic loss arising from adverse internal and external factors that may impact the Bank's earnings, capital position, or ability to achieve its long-term strategic objectives.

The Bank manages strategic risk by focusing on proactive portfolio management; a strong stakeholder value proposition, operational efficiency; sustainable returns on investment; balance sheet strength and disciplined capital management.

The Bank maintains a rolling 5-year Strategic Plan, the performance of which is reviewed quarterly by the Board while monthly performance monitoring performed at the Management Assets and Liabilities Committee (MALCO).

Key strategic milestones for the year ended 31st December 2025 include the attainment of the Sustainability Standards Certification Initiative from the European Organisation for Sustainable Development and the ongoing rebranding including change of the bank name from PostBank Uganda to Pearl Bank Uganda Limited.

3.3.2. Envisaged Opportunities.

The Bank has an opportunity to continue mobilizing cheap but sticky deposits through our launched e-wallet (Wendi).

Strategically position the bank as a government owned bank and attract government business based on the existing capabilities by this, Pearl Bank will be able to create new income streams and thrive for the long-term in an ever more volatile world.

We are leveraging technology and strategic partnerships for micro lending.

PBU's capital management strategy is to ensure that the Bank maintains adequate risk capital, complies with the capital requirements laid down by the Bank of Uganda, and maintains a healthy capital ratio to support its business and maximize the shareholder value.

Value chain - assess the scope of its value chain and consider its interactions with stakeholders, society, the economy and the natural environment.

3.3.3. Risk Management – our way forward.

As we build and improve our capabilities in financial services business, we will continue to leverage our current risk management processes and proactively expand and evolve our enterprise risk environment to anticipate and effectively manage risks that may arise. We are aware of key emerging global risks as reported in the World Economic Forum Global Risks report – 2025 among which include Extreme weather, AI generated misinformation/disinformation, societal and/or political polarization, cost of living crisis, cyber-attacks, economic downturn, disrupted supply chains for critical goods and resources, escalation, or outbreak of armed conflict, among others.

We continue to review Risks and Opportunities Management Framework for Sustainability, Business Strategy and Business models to ensure that we remain resilient and relevant in the economy.

4.0. STRESS TESTING -QUALITATIVE INFORMATION (METHODOLOGY).

The Bank has in place a stress testing framework which is an integral part of Pearl Bank's Risk & Opportunities Management Framework for Sustainability (ROMS) and it is actionable with the Stress test results evaluation impacting on decision making.

The Bank embraces a scenario-based Stress test approach in forward looking evaluation of its inherent risks and the stress test scenarios applied are as per the Board approved scenarios in the bank's stress testing framework.

The stress test scenarios are presented to the Management Risk Committee for review and approved by the Board of Directors, having been evaluated and ascertained to be plausible.

The Internal Audit function periodically performs independent review and assurance of the adequacy of the stress testing framework and appraises the Board through the Board Audit Committee.

4.1 Qualitative information on Stress testing:

4.1.1. Portfolios subject to stress testing

The Bank's Stress testing framework provides the methodology for conducting stress tests on the Credit Portfolio, Liquidity Position, Interest rate risk, Foreign Exchange risk, Operational risk and Strategic risk. The framework also incorporates combined and reverse stress testing to assess the impact of all adverse but plausible scenarios on the Bank's capital and earnings and the Bank's ability to withstand these stress conditions.

4.1.2. Scenarios adopted and methodologies used.

4.1.2.1. Credit Stress testing scenarios include.

- a. If Domestic GDP Contracted due to an estimated 0.5, 1 and 1.5 standard Deviation Shock triggering Increased NPLs and Default Rates.
- b. Effect of 20% increase in the overall non-performing loans in each of the NPA buckets Substandard, doubtful and Loss.
- c. The effect of 50% Arrears increases in PBU's dominant sector at the point of conducting the stress test.
- d. Effect of 50% Arrears increase in PBU's second largest sector.
- e. Worst case scenario in which 20% of the top 20 borrowers defaulted, resulting in outright loss.
- f. Effect of 20% decrease in the Agriculture Sector portfolio.
- g. Effect of 20% decrease in the Personal Consumer Loans (PCL) portfolio.

Any other scenario that may be deemed plausible by management given the prevailing business environment, regulatory landscape, and related macro-economic factors.

4.1.2.2. The liquidity risk scenario is stated below:

Assumed elevated Deposit Outflow and Short-term Borrowing with a magnitude of 0.5, 1.0 and 1.5 standard deviation volatility shock on the deposit outflow (Based on Bank's Behavioral Analysis).

4.1.2.3. The Forex rate change, stress tests scenarios include;

- a. Assumed 10%, 20% and 30% adverse movements in all exchange rates – currency wise. Impact on earnings and capital.
- b. Assumed 10% and 20% movements in USD Exchange rate – considering Net Open Position.

4.1.2.4. Interest rate change stress tests scenario is stated below.

Assumed an interest Rate Shock of 2% shock in interest rates

4.1.2.5. Strategic stress tests scenarios include;

Effect of strategic misalignment impacting the Bank's Revenue and increase operating expenses through Cost of strategic delays and regulator cost impact. Shocks are applied to the Revenue and Operating expense on the Bank's P & L as follows:

- a. Revenue growth slows down to 5-20% of the target due to unexpected competition or market saturation.
- b. Market share declines by 2-10% due to new market entrants or product obsolescence.

- c. Operating expenses on strategic projects increase by 1-10% due to inflation.
- d. Business lines contributing 10-30% of net income are curtailed due to regulatory restrictions. (Optional).

4.1.2.6. Operational stress tests scenarios include;

Effect of Multi-Faceted Operational Failures leading to increased operational losses during an Economic Downturn on both CAR & PAT.

4.1.3. The Use of Stress testing in Risk Management.

The main objective of stress testing is to assess possible events or changes in the operating environment of Pearl Bank and to evaluate their impact on the bank's capital and earnings.

Specific objectives are to;

- Ensure there is a structured process of conducting forward-looking assessment of the bank's risks for proactive Risk Management purposes.
- Inform the setting of PBU's risk appetite and risk tolerance.
- Facilitate the development of risk mitigation actions or contingency plans across a range of stressed scenarios.
- Comply with the Regulatory requirements.
- Support the bank's budgeting process.

5.0. MANAGING AND MITIGATING RISK.

5.1. Methods used to manage and mitigate risk.

Management employs the below methods to mitigate material risks.

- Internal Capital Adequacy Assessments (ICAAP).
- On an annual basis and as a regulatory requirement, Pearl Bank management conducts the (ICAAP) to ensure that the bank has sufficient capital for the risks associated in case they materialized reflecting how it intends to mitigate those risks and how much current and future capital is necessary having considered all other mitigation factors.
- Internal Liquidity Adequacy Assessments (ILAAP). On a bi-annual basis and as a regulatory requirement, Pearl Bank management conducts the (ILAAP) to ensure that the bank has sufficient liquidity for the risks associated in case they materialized reflecting how it intends to mitigate them.
- Management Controls e.g., Board Oversight, Approval limits at both Board and Management level, periodic strategy reviews and refreshers, Budgetary controls, Defined Risk Appetite and tolerance limits and continuous review and monitoring of the same through internal assurance reviews by Risk Department, Compliance Department, and Internal Audit Department.
- Board approved policies to manage and minimise risk. These policies are reviewed on an annual basis or as and when deemed necessary to ensure that they remain relevant and appropriate for the business and the regulatory requirements.
- Management approved procedures and process flows that are cascaded to the staff for running bank operations and business.
- Management Committee meetings sit monthly to address any risk specific to the risk areas.
- Risk sharing methods such as Insurance for Operational Risks e.g., Staff health, fire and other perils, computer equipment, cash in transit, Directors' and Officers' liability, Cash on premises, etc.
- The bank has undertaken adequate insurance policies with reputable Insurance Companies in Uganda to cover operational and credit related risks.

5.2. Risk Management tools used to identify, assess, manage, mitigate, and report risk.

Some of the tools that Pearl Bank has implemented for risk identification, evaluation, assessment, monitoring, and reporting include;

Tool	Purpose	Deliverables	Responsibility	Frequency
Risk & Control Self-Assessment Tool	To identify the risks inherent in key business processes, evaluate the effectiveness of internal controls and track action plans for closure of identified risks.	Consolidated Bank register	Risk and Opportunities Contact Points/ Risk Champions	Monthly
Incident Reporting tool	Capture all incidents as and when they arise, understand the root cause and gaps that served as vulnerability points for closure.	Loss inventory database	All staff of PBU	As and when an incident occurs with monthly analysis of all incidents registered during the period.
Key Risk Indicator tool	Enables risk identification & assessment against set tolerance limits to act as an alert warning system to Management & Board on changes in the Bank's risk profile.	Updated KRI	Risk Owners and Risk Team	Monthly
Project Risk Register	To identify and assess risks in new projects or business Initiatives.	Project Risk Register	Project Team	As and when a new project comes on Board
Scenario Analysis (Stress testing)	Identifying and analyzing possible future events that may have severe impact to the Bank by considering alternative possible outcomes.	Scenario Analysis report	Risk Owners and Risk Team	As and when scheduled or potential scenario is likely to happen.
Internal & External Audit/ Review reports	Identify issues that have been raised as well as recommendations arising out of both internal and external audits and reviews.	Issues / Recommendations tracker	Compliance Department	Monthly & continuously.

5.3. Risk and Compliance Departments:

The Risk and Compliance functions of the bank perform the second level reviews in respect to set risk tolerance levels for key risk types, adherence to policies and procedures and regulatory compliance including but not limited Customer Due Diligence (CDD)/Know Your Customer (KYC), Anti Money Laundering (AML) & Counter Terrorist Financing (CTF) and the results of the reviews including the stress testing results are discussed in the appropriate monthly management committees and subsequently to the related Board committee.

5.4. Independent Assurance reviews by Internal Audit and the External Auditors.

The Bank has an independent Internal Audit Department that performs regular review of the bank's risk management and governance processes as third line of defense.

Internal Audit implements a risk-based methodology which is designed to identify and assess significant risks associated with the Bank's business.

This report has been reviewed by internal audit for purposes of quality control and compliance with the regulatory requirements/guidelines on Pillar 3 Market Discipline Disclosures.

Qualitative disclosure on Pearl Bank Uganda use of external credit ratings under the standardized approach for credit risk

The Bank does not use an external credit rating agency for credit risk assessment for now.

In accordance with Pearl Bank Uganda's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in this Pillar 3 Disclosures report for the financial period ended **31st December 2025** are consistent with the way the Bank assesses and manages its risk and are not misleading in any way.



Board Chairman



Managing Director/ CEO



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Customer Deposits are protected by the Deposit Protection Fund of Uganda. Pearl Bank is regulated by the Central Bank of Uganda