



BANK OF AFRICA
BMCE GROUP



PILLAR 3 MARKET DISCIPLINE

Disclosures as at December 31, 2025

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1 Introduction

The Bank's capital adequacy is assessed in accordance with the Basel Framework, as adopted by the Central Bank for prudential regulatory reporting.

Pillar 3 aims to enhance market confidence by promoting transparency on the Bank's capital position, risk exposures, and risk management practices. To this end, the Bank provides comprehensive capital disclosures on an annual and interim basis.

Through this framework, the Bank ensures compliance with regulatory expectations while maintaining a disciplined approach to capital and risk management.

1 Key Prudential Metrics

The table below provides an overview for the Bank's prudential statutory metrics.

Ref*	Available capital	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
1	Core capital (Shs M)	191,829	187,492	182,748	178,597	174,772
2	Supplementary capital (Shs M)	6,603	6,603	5,801	5,801	4,953
3	Total capital (Shs M)	198,432	194,095	188,549	184,398	179,725
Risk-Weighted Assets (Amounts)						
4	Total risk-weighted assets (RWA) (Shs M)	916,236	862,016	872,612	821,669	788,635
Risk-Based Capital Ratios as a Percentage of RWA						
5	Core capital ratio (%)	20.9%	21.8%	20.9%	21.7%	22.2%
6	Total capital ratio (%)	21.7%	22.5%	21.6%	22.4%	22.8%
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 (%)	0.0%	0.0%	0.0%	0.0%	0.0%
9	Systemic buffer (for DSBs) (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Total of capital buffer requirements (%) (row 7 + row 8 + row 9)	2.5%	2.5%	2.5%	2.5%	2.5%
11	Core capital available after meeting the Bank's minimum capital requirements (%)	5.9%	6.8%	5.9%	6.7%	7.2%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio exposure measure (Shs M)	1,654,330	1,629,791	1,647,673	1,508,078	1,456,002
14	Basel III leverage ratio (%) (row 1 / row 13)	11.6%	11.5%	11.1%	11.8%	12.0%
Liquidity Coverage Ratio (LCR)						
15	Total high-quality liquid assets (HQLA) (Shs M)	211,902	211,168	233,970	177,699	199,488
16	Total net cash outflow (Shs M)	114,581	62,231	76,292	53,591	47,687
17	LCR (%)	184.9%	339.3%	306.7%	331.6%	418.3%
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding (Shs M)	1,126,909	1,106,005	1,116,102	1,012,920	961,799
19	Total required stable funding (Shs M)	673,719	642,489	687,425	926,760	605,315
20	NSFR (%)	167.3%	172.1%	162.4%	109.3%	158.9%

*The references in this and subsequent tables identify the lines prescribed in the relevant Bank of Uganda template where applicable and where there is a value.

The Core Capital available after meeting the Bank's minimum capital requirements has slightly increased over the periods due to increasing profits earned by the Bank.

Risk management approach

Risk governance overview:

Our risk governance framework is pivotal for maintaining stability and integrity across our operations. Under the oversight of the Board of Directors our risk management practices are aligned with strategic objectives. Executive Management executes directives, ensuring risk management is embedded within all activities. The Board Risk Committee provides strategic oversight, monitoring risk appetite and mitigation strategies to enhance transparency and accountability.

The Risk Department collaborates with business units to identify, assess, and mitigate risks. The Compliance Department ensures adherence to regulations, while the Internal Audit Department independently evaluates controls and processes. Effective communication and collaboration among stakeholders are paramount for timely risk identification and resolution. Our dedication to robust risk governance ensures alignment with regulatory requirements and fosters trust among stakeholders. Details on risk governance are provided in the Governance report and the Risk review.

Channels for risk culture communication and enforcement:

We employ various channels to foster and reinforce a strong risk culture. Our code of conduct sets ethical standards, supported by regular training programs to promote accountability and adherence. Comprehensive manuals provide clear guidelines and procedures for addressing risk breaches, ensuring alignment with regulatory standards. Clear escalation procedures enable prompt reporting and resolution of risk issues, fostering proactive risk management. Performance evaluations incorporate risk management adherence, with incentives reinforcing desired behaviours. Open communication channels facilitate sharing of risk-related information and encourage dialogue among employees. Through effective communication and continuous reinforcement, we aim to embed risk management into our organizational culture, promoting sustainable growth and resilience.

Risk information reporting process:

Our risk information reporting process ensures that the Board of Directors and senior management are provided with comprehensive insights into our risk exposure. This process encompasses regular reporting on various risk types as provided under the Risk review. The scope of reporting includes key risk indicators, risk appetite metrics, and emerging risks that could impact the organization's objectives. Reports are tailored to the needs of different stakeholders, providing relevant and timely information to support decision-making.

Risk Measurement and Monitoring:

The Bank's risk management framework is supported by a combination of quantitative risk metrics and qualitative assessments. Quantitative risk information is derived from approved risk models, exposure and portfolio analytics, key risk indicators, and historical loss data, which collectively provide measurable assessments of the Bank's credit, market, liquidity, and operational risk exposures relative to the Board-approved risk appetite. Stress testing and scenario analysis complement these metrics by providing forward-looking, qualitative insights into the Bank's resilience under adverse but plausible conditions. Through qualitative information on stress testing, we gain valuable insights into potential risks and vulnerabilities, allowing us to adopt proactive measures to safeguard our stability and sustainability.

Together, these tools enable informed risk oversight, timely escalation, and effective decision-making.

Strategies and processes for risk management:

We implement robust strategies and processes to manage risks inherent in our business model. Our comprehensive risk management framework involves identifying, assessing, and addressing various risks as indicated in the Risk review. We employ hedging and mitigation techniques such as derivatives, insurance, and diversification to offset risk exposure effectively. Continuous monitoring and review mechanisms ensure the ongoing effectiveness of our risk management strategies.

In addition to meeting minimum regulatory capital requirements, the Bank maintains a prudent capital buffer to absorb potential losses arising from the inherent and anticipated risks of its business model and operating environment. This buffer is calibrated through the internal capital adequacy assessment process and is designed to support business continuity, protect stakeholders, and ensure the Bank remains well capitalised under both normal and stressed conditions.

Through proactive risk management, we mitigate risks arising from our business model, safeguarding the interests of our stakeholders and ensuring the long-term sustainability of our operations

Overview of RWA

The table below shows the Bank's risk weighted assets as of December and September 2025.

	RWA		Minimum capital requirements	
	Dec-25		Sep-25	
	Shs M	Shs M	Shs M	Shs M
1 Credit risk (excluding counterparty credit risk)	832,603	779,675		99,912
2 Counterparty credit risk (CCR)		- 1,957		-
3 Market risk	19,467	15,412		2,336
4 Operational risk	64,166	64,972		7,700
5 Total (1 + 2 + 3 + 4)	916,236	862,016		109,948

Total risk exposure increased during the last quarter, primarily driven by growth in credit risk, which reflects an expansion in the Bank's lending activities and the resulting increase in risk-weighted assets. Market risk also rose, largely due to higher exposure to foreign exchange movements in line with balance sheet growth. Operational risk remained broadly stable, supported by continued focus on process controls and risk management frameworks. Counterparty credit risk reduced during the period, partially offsetting the overall increase but not sufficient to outweigh the growth in credit and market risk.

Composition of regulatory capital

The Bank is within the regulatory limits and has adequate capital to remain in operation.

		Dec-25	Jun-25
		Shs M	Shs M
Common Equity Tier 1 capital: instruments and reserves			
1	Permanent shareholders equity (issued and fully paid-up common shares)	150,000	150,000
2	Share premium	-	-
3	Retained earnings	49,337	38,464
4	Net after tax profits current year-to date (50% only)	-	7,566
5	General reserves (permanent, unencumbered and able to absorb losses)	-	-
6	Tier 1 capital before regulatory adjustments	199,337	196,030
Tier 1 capital: regulatory adjustments			
8	Goodwill and other intangible assets	(3,260)	(3,447)
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	(4,248)	(10,245)
26	Other deductions determined by the Central Bank	-	-
28	Total regulatory adjustments to Tier 1 capital	(7,508)	(13,692)
29	Tier 1 capital	191,829	182,338
Tier 2 capital: Supplementary capital			
46	Revaluation reserves on fixed assets	-	-
47	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	6,603	5,801
48	Hybrid capital instruments	-	-
49	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	-	-
58	Tier 2 capital	6,603	5,801
59	Total regulatory capital (= Tier 1 + Tier 2)	198,432	188,139
60	Total risk-weighted assets	916,236	872,612
Capital adequacy ratios and buffers			
61	Tier 1 capital (as a percentage of risk-weighted assets)	20.9%	20.9%
63	Total capital (as a percentage of risk-weighted assets)	21.7%	21.6%
64	Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets)	2.5%	2.5%
65	Of which: capital conservation buffer requirement	2.5%	2.5%
66	Of which: countercyclical buffer requirement	0.0%	0.0%
67	Of which: Bank specific systemic buffer requirement	0.0%	0.0%
68	Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the Bank's minimum capital requirements	5.9%	5.9%
Minimum statutory ratio requirements			
70	Tier 1 capital adequacy ratio	12.5%	12.5%
71	Total capital adequacy ratio	14.5%	14.5%

Asset Quality

The credit quality of the Bank's on- and off-balance sheet assets is reflected below through the disclosure of the gross carrying values of both defaulted and non-defaulted exposures as well as provisions and interest in suspense.

	Gross carrying values of		Provisions as per FIA				Net values Shs M
	As at 31 December 2025	Defaulted exposures	Non-defaulted exposures	Specific	General	Interest in suspense	
		Shs M	Shs M	Shs M	Shs M	Shs M	
1	Loans and advances	17,627	616,189	8,271	6,603	1,676	617,266
2	Off-balance sheet exposures	-	237,947	-	-	-	237,947
3	Total	17,627	854,136	8,271	6,603	1,676	855,213

As of December 2025, the Bank's non-performing loan (NPL) ratio rose to 2.8%, up from 2.2% as of December 2024, primarily reflecting credit deterioration within the SME and retail segments. The Bank continues to closely monitor portfolio performance and apply enhanced credit controls to manage emerging risks and preserve asset quality.

Changes in stock of defaulted loans and debt securities

The table below presents the movement in the balance of defaulted exposures between June and December 2025.

		Dec-25
		Shs M
1	Defaulted loans & advances, debt securities and off balance sheet exposures at end of the previous reporting period	12,792
2	Loans and debt securities that have defaulted since the last reporting period	9,108
3	Returned to non-defaulted status	510
4	Amounts written off	3,763
5	Defaulted loans & advances, debt securities and off balance sheet exposures at end of the reporting period (1+2-3-4=5)	17,627

Between June and December 2025, the Bank recorded an increase in the stock of defaulted loans and debt securities due to new defaults recorded. This was partially offset by accounts returning to non-defaulted status and write-offs reflecting ongoing recovery and portfolio clean-up efforts. Overall, the net movement indicates a deterioration in asset quality during the period, although management continues to actively pursue recoveries and resolution strategies to preserve asset quality.

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

In managing credit risk under the standardized approach, the Bank utilizes external credit ratings from globally recognized credit rating agencies, including Fitch, Moody's, and S&P. These assessments inform risk-weighting decisions for exposures to financial institutions with whom the Bank maintains cash placements.



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