PostBank

PILLAR 3
MARKET DISCLOSURE REPORT

31st December 2024

Grow.Prosper

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.

		A	B	C	D	E
	Amount Ushs' 000	**Dec-24**	**Sep-24**	**Jun-24**	**Mar-24**	**Dec-23**
	Available capital (amounts)					
1	Core capital	166,126,933	160,901,086	153,145,750	144,435,018	141,829,075
2	Supplementary capital	11,432,133	11,737,492	9,474,525	9,228,510	8,921,856
3	Total capital	177,559,066	172,638,578	162,620,275	153,663,528	150,750,931
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	853,362,096	776,032,503	781,189,502	713,507,356	739,304,062
	Risk-based capital ratios as a percentage of RWA					
5	Core capital ratio (%)	19.47%	20.73%	19.60%	21.46%	19.18%
6	Total capital ratio (%)	20.81%	22.25%	20.82%	22.79%	20.39%
	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 (%)	6.97%	8.23%	7.11%	7.74%	6.68%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	1,497,546,647	1,593,466,234	1,492,834,249	1,097,307,310	1,087,861,293
14	Basel III leverage ratio (%) (row 1 / row 13)	11.09%	10.10%	10.26%	13.16%	13.04%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)	165,721,197	182,143,227	120,333,255	157,685,360	144,580,712
16	Total net cash outflow	118,218,566	180,717,911	26,269,519	122,665,222	88,271,423
17	LCR (%)	140%	101%	458%	129%	164%
	Net Stable Funding Ratio					
18	Total available stable funding	803,208,439				
19	Total required stable funding	582,928,860				
20	NSFR	138%	N/A	N/A	N/A	N/A

Risk Management Approach

1.0. Overview

Our risk management approach ensures consistent and sustainable management of risk, which is central to the financial and operational management of the bank. The Bank identifies and assesses risks and opportunities arising from internal and external environments and proactively identifies emerging risks.

The ultimate responsibility of risk management, which includes oversight of risk exposures and approval of governance standards and risk policies is seated with the Board.

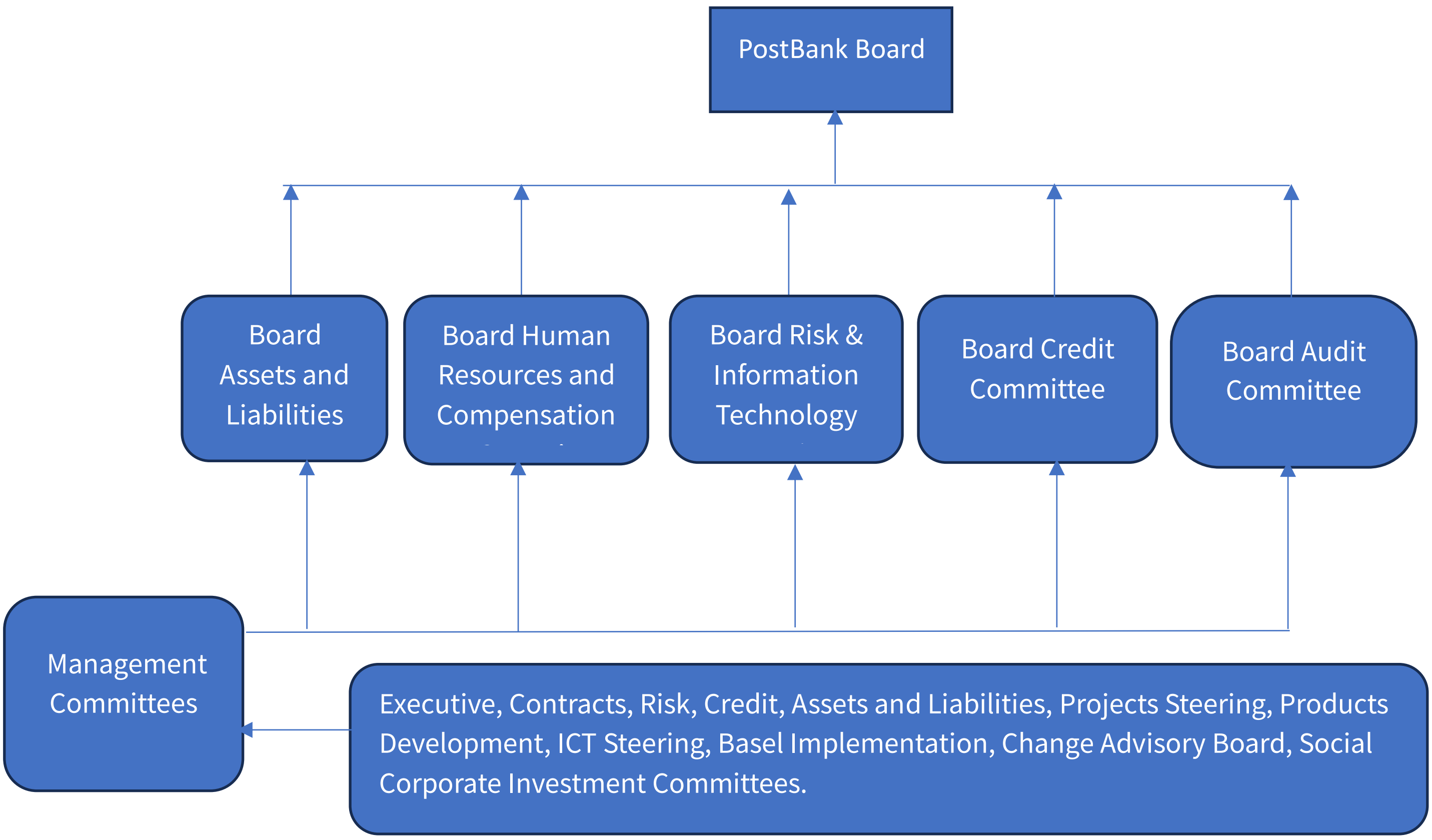
The Management committees, through the Board delegated authority and their defined responsibilities support the Board of Directors in the identification, assessment, monitoring, mitigation and reporting of risks within PostBank Uganda Limited. While the business functions, support functions, risk and compliance functions and internal audit function ensure an effective risk management and strong control environment.

1.1 Risk Governance Structure & Relationship

PostBank Uganda Limited is 100% owned by the Government of Uganda and is run by the Board of Directors, which is responsible for creating and delivering sustainable shareholder value through oversight of the management of the bank's business. The Board reviews and approves the strategic objectives and policies of the bank, while providing overall strategic direction.

The risk governance structure provides a platform for the Board and executive, management to evaluate and assess key elevated and emerging risks which the bank is exposed to and assess the effectiveness of the risk responses. This is done through various committees such as the Board Assets and Liabilities Management Committee, Board Human Resources and Compensation Committee, Board Risk & Information Technology Committee, Board Credit Committee, and the Board Audit Committee.

Postbank Risk Governance Structure:



1. Communication channels & Risk culture

Management has put in place key communication channels for 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 trainings 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.

2. Scope and content of risk exposure and management

Postbank'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 as defined below;

A.	Inherent & Residual Risk ratings	
(green)	Low	The volume, size and the nature of the activity is such that even if internal controls have weaknesses, the risk of loss is remote and of minimum consequence to PostBank's soundness.
(yellow)	Moderate	The positions are moderate in relation to the PostBank's resources and in case of loss could be absorbed through the ordinary course of business.
(amber)	Above Average	The activity is fairly significant, or positions are fairly large in relation to PostBank's resources and in case of loss could cause a strain on the institution's financial soundness.
(red)	High	The activity is significant, or positions are very large in relation to PostBank's resources and in case of loss could cause serious threats to the bank's financial soundness.

B.	Overall Risk Management	
(green)	Strong	Indicates very strong risk management systems with low risk of negative impact on the institution. Management effectively identifies and controls all major types of risks by the relevant activity or function.
(yellow)	Acceptable	Indicates a risk management framework where the PostBank's risk management systems, although largely effective, may be lacking to some modest degree. It reflects an ability to cope successfully with existing and foreseeable exposure that may arise in carrying out the bank's business plan.
(amber)	Needs Improvement	Indicates a risk management system that is lacking in some fairly important ways, which if not addressed could derail the institution's ability to achieve its objective.
(red)	Weak	Indicates a risk management system that is lacking in important ways and therefore a cause of more than normal supervisory concern.

C.	Risk Outlook	
(green)	Stable	The trend suggests that risk is not likely to change
(amber)	Decreasing	The trend is getting better as business is reverting from a riskier position.
(red)	Increasing	The trend suggests that the risk is likely to worsen, and the situation calls for further management intervention.

1.1. **Bank's risk profile.**

The Management Risk Committee and the Board Risk & IT committee are central in discussing the overall risk profile of the bank.

The reports cover risks such as strategic risk, operational risk, market risk, credit risk, compliance risk, technology risk, cyber risk, legal risk, product risk, project risk, liquidity risk, outsourcing risk, reputational risk, stakeholder risk, country risk, conduct risk, climate risk, and health and safety risks.

1.2. **RISKS AND OPPORTUNITIES MANAGEMENT FOR SUSTAINABILTY (ROMS).**

PostBank Uganda Limited is cognizant of the fast and ever changing economic, social, and environmental matters coupled with shifting customer expectations, a more competitive business landscape, and increasingly complex regulations. It is therefore crucial to reshape risk management and seize the opportunities that arise from these risks.

1.2.1. **ROMS Policy Statement**

Our ROMS policy statement is as follows;

i. Risks cannot always be fully eliminated as they are inherent in every decision and action.
ii. Traditional risk management typically focuses on risks as threats, emphasizing the negative or downside aspects, without fully considering the opportunities that these risks might offer.
iii. The Bank will continue to adopt environmentally and socially responsible practices while also ensuring crisis resilience.
iv. Sustainability will remain central to risk management for the bank to build a strong, resilient, and profitable institution. This approach also acknowledges that risks can present new opportunities, which should be actively leveraged.

1.2.2. **ROMS Objectives**

The main goal of the PBU's ROMS Framework is to serve as a key enabler in achieving the High Impact Goals.

The Framework aims to:

a. Incorporate sustainability considerations in all risk types.
b. Ensure that the Bank's risk management policies and procedures are consistent with the High Impact Goals and supportive of achieving their targets.
c. Avoid managing risks in isolation (risk silos). Instead, adopt an integrated and holistic approach by fostering a strong risk culture that encourages measured risk-taking and the identification of opportunities across all business units and by all members of management and staff.
d. Establish a centralized structure for managing risks and opportunities, supported by proactively anticipating, identifying, and assessing risks and opportunities. This approach aims to minimize losses, vulnerabilities, and unexpected costs, while maximizing potential opportunities.
e. Integrate the management of risks and opportunities into the bank's strategic decision-making process to proactively protect and create value, while fostering innovation to achieve the High Impact Goals.
f. Establish clear accountability, roles, and responsibilities to ensure effective management of risks and opportunities.

1.2.3. RISKS

We have assessed the top seven risks for the bank to look out for as Operational risk, Cyber risk, Liquidity risk, Reputational risk, Compliance/ Regulatory risk, Conduct risk, Climate related financial risks.

a) OPERATIONAL RISK.

Inherent Risk for Operational risk remains high given the bank's large branch network, the inherent people risk given the significant staff headcount, required administrative oversight and efficiency and effective implementation of internal controls.

The residual operational risk is however moderate based on the level of risk management initiatives to control this risk including;

i) Refining of bank policies, procedures, process improvements.
ii) Implementation of effective Risk Management Monitoring tools such as Risk & Control Self-Assessments, Incident Reporting Mechanisms, Key Risk Indicator tracking, Issue tracking and closure, Spot checks, performance of daily reconciliation reports for cash transactions among others.
iii) Investment in Technology and automated controls including automated transaction monitoring tools.
iv) Strengthening of leadership across the bank network (branches and departments) and increased accountability at first line of defense.
v) Thorough routine checks and support by second line risk management functions – Risk and Compliance.
vi) Timely implementation of audit, risk and compliance recommendations.
vii) Continuous talent development and capacity building for staff.
viii) Efficient recovery efforts for operational losses incurred from both Insurance and Perpetuators.
ix) Consequence Management.
x) Zero tolerance stance to fraud.

b) TECHNOLOGY/CYBER RISK.

Inherent Risk for Cyber risk remains high due to critical systems integration and infrastructure intermittent failures that can impact business continuity, customer service and overall bank reputation.

Hacking risks that can result into system compromise, operational losses, reputation damage alongside associated legal action that can be undertaken.

- The bank obtained a Cyber risk insurance policy in this regard.

The bank has put in place risk management initiatives to control this risk including;

i) Real-time monitoring of operating systems e.g., Finacle, network availability and applications supporting e-channels.
ii) Ensuring full NAC (Network Access Control) compliance on the ports.
iii) Continued monitoring by the Outsourced Security Operations Center (SOC), an IDS & IPS and a Security Information and Event Monitoring (SIEM) solution to automate the collection of logs from Vital Assets.
iv) PCI DSS certification to enhance card security to mitigate ATM card fraud.
v) Timely execution of threat hunting processes to identify threats and defend Post Bank systems.
vi) Timely update / upgrade of systems to mitigate the risk of vulnerabilities exploitation and enhance security capabilities and performance efficiency.
vii) Adequate processes are in place to manage third party risks from outsourced services.
viii) Disaster recovery testing to ensure business continuity in case of any disruption in the business technology services.
ix) Periodic system risk assessment, penetration testing and hardening.

c) **LIQUIDITY RISK.**

This is the probability of loss arising from a situation where the bank is unable to meet all its obligations to depositors or borrowers as they fall due. The responsibility of management of this risk lies with the Bank's Asset and Liability Management Committee (ALCO) which delegates the day-to-day responsibility to Financial Markets department.

- Policies and frameworks have been put in place to guide on the internal tolerance levels for major Liquidity parameters below which the bank should not fall. The policies include the ALCO policy, Financial Markets Policy, Risk Management Framework, etc.
- The Bank ensures that it will always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.
- The liquidity requirements of business units are funded through deposits from customers. Any short-term fluctuations are funded through treasury activities such as inter-Bank facilities, repurchase agreements, amongst others.
- The essential principle remains to ensure that the Bank is able to fund (at an acceptable cost) all its contracted obligations, particularly lending and investment commitments, deposit withdrawals and liability maturities in the normal course of business.
- Leveraging on the e-wallet (Wendi).
- Diversify funding sources.
- Stress Testing is done through simulating extreme liquidity crises to measure potential liquidity shortfalls under stressful conditions.

d) **REPUTATIONAL RISK.**

Reputational risk can be categorized into three types:

Direct: A risk that results from the actions of the bank.
Indirect: A risk that results from the actions of the bank's employees.
Tangential: A risk that results from the actions of a partner or supplier (Third Party risk & Outsourcing risk).

The bank has put in place risk management initiatives to control this risk including;

- Adequate Stakeholder engagement (Media Houses, Regulators, Insurance Companies, Law Enforcement & Criminal Intelligence Agencies like Police; Directorate of Criminal Investigations, State Attorneys and Public Prosecutors) mechanism executed by the Bank.
- Bank institutes a pro-active crisis management and public communication as per documented Crisis Management & Communication Plan.
- The bank has policies, procedures and customer service standards that are enforced to ensure improved customer service and timely resolution of customer complaints.
- Tracking of customer complaints and sentiments from social media, online media, and print media is adequately done by the bank's established functions.
- There is a fully fledged customer experience Unit in the bank to receive customer queries, complaints and complements and respond to them in a timely manner, supported by marketing and public relations department in charge of Bank's brand management

e) **COMPLIANCE/REGULATORY RISK.**

Our compliance risk is rated moderate.

- BOU Offsite ratings: Q1 2024; Q2 2024 – Fair and Q3 2024 -Marginal; the target is Satisfactory.
- Last BOU onsite report of 31st July 2022 – Rated Fair. An onsite examination has been concluded in 2024; the bank awaits the report for 2024 BOU onsite; target is Satisfactory.
- The Head of Compliance 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.

f) **CONDUCT RISK.**

To effectively manage conduct risk, the bank is adopting proactive and comprehensive mitigation measures which is essential for preventing conduct risk incidents. This will foster a culture of integrity and accountability.

Alongside the related existing policies such as HR policy, Fraud Management Policy , Whistleblowing Policy, Compliance Policy among others, the Bank is developing a conduct risk management framework which will;

- Identify and assess conduct risk vulnerabilities throughout the Bank's departments/units.
- Develop and monitor key conduct risk metrics.
- Educate and train staff about their conduct risk avoidance responsibilities, and reinforce training regularly.
- Establish clear policies and procedures, promote a strong risk culture across the organization, and emphasize ethical conduct and compliance.
- Foster a speak-up culture that encourages employees to report potential misconduct without fear of retaliation.

g) **CLIMATE RELATED FINANCIAL RISKS.**

Climate-related financial risks have the potential to affect the safety and soundness of the bank through physical and transition risks.

It is notable that Uganda is prone to several climate-related risks, including drought, flash floods, mudslides, and landslides. The country's diverse topography results in a wide range of temperatures, from 0°C in the Rwenzori Mountain Range to 30°C in the north-eastern areas. These are Physical risks.

Smallholder farmers in Uganda are increasingly challenged by the uncertainty and variability of weather that climate change causes. Since crops are predominantly rainfed, they depend on water availability from precipitation and are prone to drought.

Currently, over 27.61% of the bank's loan book is in Agriculture.

The impacts of physical and transitional risk range from profit losses and higher default risks for individual companies and investors to broad concerns over the stability of the system and burden on the public.

1.2.4. **Envisaged Opportunities.**

- The bank has an opportunity to mobilize cheap but sticky deposits through successful commercialization of our recently launched e-wallet (Wendi).
- The implementation of Omni Channels for business operations could yield efficiencies by reducing the cost of operations mainly driven by the level of automation (e-channels) and an opportunity for management of headcount as well as reduction in Operational losses because of human errors and fraud to some extent.
- Strategically position the bank as a government owned bank and attract government business based on the existing capabilities.
- The bank enrolled onto the Sustainability Standards & Certification Initiative (SSCI) which delivers a holistic, robust, evolving, and locally sensitive set of standards to make value-driven financial institutions more resilient and profitable.
  By this, PostBank will be able to create new income streams and thrive for the long-term in an ever more volatile world. SSCI will provide new opportunities for mobilizing funds to finance businesses and projects creating high social and environmental impact.
- We are leveraging on technology and strategic partnerships for micro lending.
- PBU's capital management 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.

3. Stress Testing -Qualitative information (methodology).

The Bank has in place a stress testing framework which is an integral part of PostBank's Enterprise Risk Management framework, 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 bank's stress testing framework and apprises the Board through the Board Audit Committee.

3.1. Qualitative information on Stress testing:

3.1.1. Portfolios subject to stress testing

Our Stress testing framework provides the methodology for Stress Testing mainly the Credit Portfolio (Name and Sector Concentration), Liquidity Position, Interest rates, Foreign Exchange rates, Operational and Strategic risk and evaluation of 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.

3.1.2. Scenarios adopted and methodologies used.

3.1.2.1. Credit Stress testing scenarios include;

- A 50% arrears increase in Trade Sector.
- A 50% arrears increase in Agriculture.
- All the top 20 borrowers defaulted resulting into outright loss.
- Increase in Secured Business Loans Non-Performing Assets (NPAs) by 20%.
- A 20% decrease in Personal Consumer Loans portfolio.
- Any other scenario that may be deemed plausible by management given the prevailing business environment, regulatory landscape, and related macro-economic factors

3.1.2.2. Interest rate change, Forex rate change, commodity price (e.g., Fuel price) change stress tests include;

- 5% impact of the change on Core Capital and Total Capital Ratios.
- 10% impact of the change on Core Capital and Total Capital Ratios.

3.1.2.3. Strategic stress tests include;

- Increase in Losses by loss making branches by 50%.
- Increase in Losses by loss making branches by 100% Assumption.

3.1.2.4. Operational stress tests include;

- An increase of 5% of the overheads at the end of the certain date as result of operational losses (fraud and other incidences).
- An increase of 10% of the overheads at the end of the certain date as result of operational losses (fraud and other incidences).

3.1.3. 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 PostBank and to evaluate their impact on the bank's capital and earnings; assessing the bank's resilience to withstand those adverse events.

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.

4. Managing and Mitigating risk

1.1. Methods used to manage and mitigate risk.

Management employs the below methods to mitigate material risks.

- Internal Capital Adequacy Assessments.
  On an annual basis and as a regulatory requirement, PostBank management conducts the Internal Capital Adequacy Assessment to ensure that the bank has sufficient capital at all times to cover the risks associated with its activities, key risks it faces, how the risks are handled and inform Board of the ongoing assessment of PBU risks, how it intends to mitigate those risks and how much current and future capital is necessary having considered all other mitigation factors.
- 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 regime or changes.
- Management approved procedures and process flows that are cascaded to the staff for running bank operations and business.
- Monthly Management Committee meetings.
- 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. Some of these insurance policies include;

  i. The Bankers' Blanket Bond with fidelity component to cover Loss from dishonest or fraudulent acts by employee; Cash on premises, Cash in transit, forgeries, and alterations etc.

  ii. The Directors and Officers liability insurance cover.

  iii. Insurance against fire and perils.

  iv. Workman's compensation.

  v. Staff Medical insurance.

  vi. The Cyber risk insurance policy.

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

Some of the tools that PostBank has implemented for risk identification, evaluation, assessment, monitoring, and reporting include: Risk & Control self-Assessment (RCSA) Tool, Automated Incident Reporting through the Manage Engine – Service Desk Plus, Key Risk Indicator tool, Scenario Analysis (Stress testing).

1.3. 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). 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.

Internal bank processes in the implementation of Basel II and III requirements remain a subject of regulatory review as well as audit by the bank's internal auditors.

1.4. 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 and to undertake appropriate audit work to address these key risks.

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.

5. 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.

As reported in the 2025 Risk in Focus Report by the Internal Audit Foundation, we expect the identified top five (5) risks for the year 2025 – 2027 to be Cyber Security, Digital disruption- (Including Artificial Intelligence generated risks), Business Continuity, Human Capital, Financial liquidity and Fraud from an Africa perspective.

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

We are committed and intentional on automating the risk management processes through acquisition of an enterprise risk management system to increase efficiency and effective risk oversight as well as risk analysis; an objective we will achieve in Q1 2025.

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.

Amount Ushs' 000		A	B	C
		RWA		Minimum capital requirements
		Dec-24	Sep-24	T
1	Credit risk (excluding counterparty credit risk)	800,288,501	725,848,504	96,034,620
2	Counterparty credit risk (CCR)	5,899,761	6,238,087	707,971
3	Market risk	2,938,592	3,317,493	352,631
4	Operational risk	44,235,242	40,628,419	5,308,229
5	Total (1 + 2 + 3 + 4)	**853,362,096**	**776,032,503**	**102,403,452**

Should not be less than 12% of total RWA

Accompanying narrative for significant changes in the quarter

Row Number	Explanation
1	*Credit risk: Growth in capital charge is attributed to the growth in the bank's loan book in the period.*
3	*Market risk: Growth in capital charge is driven by the increase in the USD holding.*

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..

		A
	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	**Amount Ushs' 000**
1	Permanent shareholders equity (issued and fully paid-up common shares)	161,971,917
2	Share premium	
3	Retained earnings	3,008,173
4	Net after tax profits current year-to date (50% only)	17,306,945
5	**General reserves (permanent, unencumbered and able to absorb losses)**	
6	**Tier 1 capital before regulatory adjustments**	**182,287,035**
	Tier 1 capital: regulatory adjustments	
8	Goodwill and other intangible assets	16,158,519
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	1,583
28	Total regulatory adjustments to Tier 1 capital	16,160,102
29	**Tier 1 capital**	**166,126,933**
	Tier 2 capital: Supplementary capital	
46	Revaluation reserves on fixed assets	4,113,669
47	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	7,318,464
48	**Hybrid capital instruments**	
49	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	
58	Tier 2 capital	11,432,133
59	**Total regulatory capital (= Tier 1 + Tier2)**	**177,559,066**
60	**Total risk-weighted assets**	853,362,096
	Capital adequacy ratios and buffers	
61	Tier 1 capital (as a percentage of risk-weighted assets)	19.47%
63	Total capital (as a percentage of risk-weighted assets)	20.81%
64	Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets)	21,334,052
65	Of which: capital conservation buffer requirement	21,334,052
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**	1%
	Minimum statutory ratio requirements	
70	Tier 1 capital adequacy ratio	19.47%
71	Total capital adequacy ratio	20.81%

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	Defaulted exposures	Non-defaulted exposures	Specific	General		
1	Loans and advances	152,532,959,346	601,999,487,555	14,436,574,559	7,318,463,245	8,249,547,887	724,527,861,209
2	Debt						
	Securities						
3	Off-balance sheet exposures		9,650,513				9,650,513
4	**Total**	**152,532,959,346**	**613,568,298,349**	**14,436,574,559**	**7,318,463,245**	**8,249,547,887**	**736,096,672,004**

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.

	Amount Ushs	A	Accompanying Narratives
1	**Defaulted loans & advances, debt securities and off balance sheet exposures at end of the previous reporting period**	**144,766,133,372**	
2	Loans and debt securities that have defaulted since the last reporting period	85,482,012,067	The movement is as a result of loan accounts moving from performing to Non performing.
3	Returned to non-defaulted status	73,290,213,278	
4	Amounts written off	4,424,972,815	
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)	**152,532,959,346**	

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

Qualitative disclosure on PostBank 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 PostBank 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 2024 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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