



dfcu Bank Limited
Pillar 3 Market Discipline Disclosures Report
For the quarter ended 31 December 2025

The Report

This report sets out dfcu Bank Limited disclosures in accordance with the Bank of Uganda Pillar 3 Market Discipline: Guidelines on Disclosure Requirements.

Shareholders are advised that the information provided in this report has not been reviewed nor reported on by our external auditors.

All amounts are in millions of Shillings unless otherwise stated.

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1. Key prudential regulatory metrics

The following tables provide an overview of dfcu Bank Limited prudential regulatory metrics.

1.1 DIS01: Key Prudential Metrics

Amounts (Shs' Million)		Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
Available Capital						
1	Core capital	540,831	536,659	573,253	572,193	549,751
2	Supplementary capital	12,951	12,815	12,204	11,873	11,623
3	Total capital	553,782	549,474	585,457	584,066	561,374
Risk weighted assets						
4	Total risk weighted assets (RWA)	1,797,071	1,795,414	1,839,101	1,821,936	1,785,302
Risk-based capital ratios as a percentage of RWA						
5	Core capital ratio (%)	30.10%	29.89%	31.17%	31.41%	30.79%
6	Total capital ratio (%)	30.82%	30.60%	31.83%	32.06%	31.44%
Capital buffer requirements as a percentage of RWA						
7	Capital conservation buffer requirement (2.5%)	2.50%	2.50%	2.50%	2.50%	2.50%
8	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Systemic buffer (for DSBs) (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Total of capital buffer requirements (%) (row 7 + row 8 + row 9)	2.50%	2.50%	2.50%	2.50%	2.50%
11	Core capital available after meeting the bank's minimum capital requirements (%)	16.90%	16.69%	18.67%	18.91%	18.29%
Basel III leverage ratio						
12	Total Basel III leverage ratio exposure measure	3,880,032	3,619,018	3,719,246	3,588,093	3,821,939
13	Basel III leverage ratio (%) (row 1 / row 12)	13.94%	14.83%	15.41%	15.95%	14.38%
Liquidity Coverage Ratio						
14	Total high-quality liquid assets (HQLA)	1,223,761	1,119,675	1,175,226	1,071,526	1,028,595
15	Total net cash outflow	340,325	315,915	424,220	285,176	271,289
16	LCR (%)	359.59%	354.42%	277.03%	375.74%	379.15%
Net Stable Funding Ratio (NSFR)						
17	Total available stable funding	2,743,223	2,627,655	2,600,588	2,538,981	1,956,977
18	Total required stable funding	1,473,239	1,210,170	1,476,439	1,335,681	795,931
19	NSFR	186.20%	217.13%	176.14%	190.09%	245.87%

1.2 DIS03: Overview of RWA

Amounts (Shs Millions)	Risk Weighted Assets (RWA)		Minimum capital requirements* Dec-25
	Dec-25	Sep-25	
Credit risk (excluding counterparty credit risk)	1,597,956	1,568,076	239,693
Counterparty credit risk (CCR)	28,878	28,386	4,332
Market risk	16,937	47,634	2,541
Operational risk	153,300	151,318	22,995
Total (1+2+3+4)	1,797,071	1,795,414	269,561

* Measured at 15%

1.3 DIS04: Composition of regulatory capital

This section provides a breakdown of the constituent elements of the Bank's regulatory capital. The Bank has not disclosed this information on account of unpublished information, until the official release of the audited year-end financial results.

1.4 DIS05: Asset Quality

	a	b	c	d	e	f	
	Gross carrying values of		Provisions as per FIA 2004/MDA 2003		Interest in suspense	Net values (FIA/MDIA)	
	Defaulted exposures	Non-defaulted exposures	Specific	General	(a+b-c-e)		
1	Loans and advances	84,941	1,250,954	22,076	12,951	25,526	1,288,293
2	Debt securities	-	-	-	-	-	-
3	Off-balance sheet exposures	27,946	213,855	-	-	-	241,801
4	Total	112,887	1,464,810	22,076	12,951	25,526	1,530,094

1.5 DIS06: Changes in stock of defaulted loans and debt securities

	Dec-25	
1	Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the previous reporting period	95,908
2	Loans and debt securities that have defaulted since the last reporting period	43,144
3	Returned to non-defaulted status	18,447
4	Amounts written off	11,810
5	Other changes	4,091
6	Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the reporting period (1+2-3-4+5)	112,887

2. Risk Management

2.1 Risk Management overview

Our risk management approach ensures consistent and effective management of risk and provides for appropriate accountability and oversight. The Bank identifies and assesses risks and opportunities arising from internal and external environments, and proactively identifies emerging risks. To ensure effective risk management, our approach is centered along the following lines:

- We recognize the importance of a strong risk culture, which is integral to the bank's overall culture.
- We consider key (principal) risks, clear ownership and accountability, and Bank-wide risk coverage.
- Risk management supports the Bank's strategy with a coherent risk management operating model and appropriate risk practices, tools, and techniques.
- We uphold the risk governance structure, with clear Board escalation and oversight.
- We follow comprehensive and structured processes for evaluating, responding to, and monitoring risks.
- We oversee and manage Bank-wide assurance through a combined assurance model with clear accountability across the three lines of defense.

2.2 Risk universe

Risk management is enterprise-wide, applying to all entity levels and is a crucial element in the execution of our Bank's strategy. Our risk universe represents the risks that are core to our business. The Risk universe is reviewed annually, to identify and respond to any new key enterprise risks. These top enterprise risks require focused management because they represent potential material impacts to the Bank's strategy. We regularly scan the environment for changes to ensure that our risk universe remains relevant. The risk universe is managed through the lifecycle from identification to reporting.

Throughout 2025, the Bank run with eleven (11) principal risks namely:

1. Credit risk
2. Funding risk
3. Market risk
4. Operational risk
5. Strategic risk
6. Compliance risk
7. Legal risk
8. Cyber security risk
9. Third party risk
10. People and conduct risk
11. Environmental, Social and Governance (ESG) Risk

These were upheld for 2026 as well with a slight enhancement of Operational risk to include Model Risk, a key focus area that will enable us to oversee and report on the overall model governance across the Bank.

2.3 Risk appetite

This is the aggregated level of risk the Bank is willing to assume within its risk capacity to achieve its strategic goals and objectives as defined in the business plan. Effective risk management requires clear articulation of the Bank's risk appetite and how it will be managed as a key component of our risk management.

Risk exposures are managed through different techniques and are monitored against a risk appetite that supports our strategy. Risk Appetite in dfcu Bank is proposed by Management and approved by the Board of Directors, via the Board Risk Committee (BRC). Executive Management led by the Chief Executive Officer is charged with the implementation of this Risk Appetite.

Risk information is subject to strong data and reporting controls. Risk reporting is also integrated into all business reporting and governance structures.

2.4 Stress testing

Stress testing is a key management tool within the Bank and is used to evaluate the sensitivity of the current and forward risk profile relative to different levels of risk. Stress testing supports several business processes, including the following key processes:

- Strategic and financial planning (budgeting)
- Informing the setting of the bank's risk appetite statement
- The internal capital adequacy assessment process (ICAAP), including capital planning and management, and the setting of capital buffers.
- Liquidity planning and management ((formulation of ILAAP).
- Facilitating the development of contingency plans, including recovery planning, across a range of stressed conditions.

2.4.1 Types of stress tests

a) Risk type stress testing

The most common type of stress testing the Bank uses is Risk type stress testing. This is where stress tests are performed for individual risk types and take the form of a scenario or sensitivity analysis.

b) Integrated stress testing

This is where different stress test scenarios are aggregated together to assess the impact on capital, liquidity and earnings.

b) Supervisory stress tests

From time-to-time, Bank of Uganda may call for the Bank to run a supervisory stress test or common scenario with prescribed assumptions and methodologies (Bottom-up stress testing). Bank of Uganda may use this stress test to assess the stability of the entire financial sector.

2.5 Risk reporting

Risks are reported and discussed in the risk forums and the Risk Management committees. Risk reports are prepared on a monthly and quarterly basis for Management and the Board of Directors, respectively. The Board takes a more strategic approach whereas all Business units and branches ensure the daily implementation of the Bank's risk strategy.

2.5.1 The Bank risk profile report

The Board of Directors receives the Bank Risk Profile report on a quarterly basis while a more detailed reporting deck forms the basis for deliberation on risk issues in various Executive Management forums on a more frequent basis. The risk profile report typically assesses the Bank's performance and risk exposure by highlighting specific indicators that signal potential risks. It outlines key factors that could impact our Bank's objectives, providing insights in areas of concern. The report includes data on financial metrics, operational efficiency, regulatory compliance, and other relevant aspects that assist stakeholders to gauge the Bank's overall risk profile.

At a high level, it covers the most important risk areas of the Bank's strategic framework and can be viewed as a summary of other existing tactical reports.

The Bank risk profile report consists of a 3-month quantitative and qualitative trend analysis as well as a three-month forecast with action plans for any key risk indicators that might be at risk of breaching or have been breached of our existing risk appetite.

2.5.2 The Key Risk Indicator (KRI) report

- The KRI report is an early-warning mechanism to alert Senior management.
- KRIs are also used to assist management with information about specific risks
- KRIs must have the following qualities:
 - Measurability
 - Predictability
 - Comparability

2.6 Risk Architecture

"Risk architecture" typically refers to the overall framework and structure that an organization establishes to identify, assess, manage, and mitigate risks effectively. As dfcu bank, we look at this in three dimensions;

- a) Our Risk culture
- b) Our three lines of defence and combined assurance model
- c) Our governance structure for risk management within the bank.

2.6.1 Risk culture

Our risk culture reflects our vision and ethics, with the Board and Executive Management setting a strong tone at the top to ensure trust in every decision we make. A well-defined code of conduct shapes our risk management culture, providing clear ethical guidelines and behavioral expectations. This framework promotes accountability, transparency, regulatory compliance, and informed decision-making aligned with effective risk avoidance and mitigation.

We utilize the three lines of defense model to foster a strong risk culture, focusing on key drivers to promote ethical business practices. Throughout the year, we educate our employees on risk management principles through awareness campaigns and diverse learning tools and platforms. This empowers our team to act ethically and confidently, keeping our customers at the heart of everything they do.

2.6.2 The three lines model

Our bank employs the Three Lines model, integrating its components to achieve robust risk management through a combined assurance approach.

The first line.

The first line comprises revenue-generating and client-facing functions, along with their immediate support teams. This line is responsible for risk origination, ownership, identification, and management within their operations. First-line units collaborate closely with the second line of defense to develop and implement policies, standards, and controls that ensure effective risk mitigation.

The Internal Control Unit (ICON), as a first-line assurance function, plays a critical role in evaluating the adequacy and effectiveness of the controls implemented within the first line. The ICON ensures compliance with the Bank's established standards, policies, and procedures, acting as a pivotal checkpoint for operational risk controls.

The second line.

The second line consists of the Risk and Compliance functions, providing independent oversight and guidance to the first line. It establishes policies, tolerance limits, and guidelines aligned with the Bank's overall risk appetite and ensures the proper functioning of the risk management framework. Key activities include independent risk assessment, aggregation, reporting, and assurance exercises. The second line also offers advisory services and risk insights to the first line, Executive Management, and to the Board, thereby enhancing decision-making and governance.

The third line.

The third line, represented by the Internal Audit function, provides independent assurance on the effectiveness of the Bank's risk management and internal control environment. Internal Audit conducts periodic reviews and challenges the activities of the first and second lines, ensuring they operate as intended. It delivers objective assessments to Executive Management, the Board of Directors, and regulatory authorities, affirming the integrity and robustness of the Bank's control environment.

By leveraging the three lines model, the Bank ensures a comprehensive, structured, and collaborative approach to risk governance, aligning operational practices with its strategic objectives and regulatory expectations.

2.6.3 Risk Governance structure

Our governance structure enables oversight and accountability through appropriately mandated Board and Management committees.

The Board of Directors.

- Our Board of Directors has overall responsibility for risk oversight and management in the Bank
- The Board has established committees for managing and monitoring risks and to advise it on risk-related matters. Examples include the Board Risk Committee (BRC), The Board Asset and Liability Management Committee (BALCO), the Board Audit Committee (BAC), and the Board Credit Committee (BCC)

The Board Risk Committee (BRC)

- This committee oversees and monitors the implementation of the enterprise Risk management framework.
- This committee advises the main Board on whether to approve the annual Risk appetite proposal from Management as well as on any policy changes recommended by Management to the Board.

Bank Risk Management committee.

- Reviews the overall risk profile of the Bank, monitors all categories of risk and determines appropriate mitigating activities.
- Provides comfort on the Bank's internal control and assurance framework relative to the risk profile.
- Supports the Bank Chief Risk Officer in exercising Board-delegated risk management authority.

Chief Executive Officer.

- Recommends to the Board the appointment of the CRO and delegates to him/her the authority to manage the risk profile of the Bank.
- Appoints Executive Management which is accountable for design and implementation of the Bank's internal controls.
- Works with Executive Management to embed a strong risk culture within the Bank

Chief Risk officer.

- Chief Risk Officer is a member of the senior management team with a direct reporting line to the Chief Executive Officer.
- He/she develops and implements the Enterprise risk management framework for the bank.
- Performs ongoing monitoring, assessment, and management of the risk environment
- Leads and manages the Risk function

Risk Management Unit.

- Assist the CRO to develop and implement the Enterprise risk management framework (ERMF) and supporting policies.
- Identify, aggregate, treat and communicate risks at a Bank-wide perspective
- Provide effective oversight on the ERMF and risk appetite frameworks of the Bank

Internal controls.

- Ensure effective implementation of controls throughout the Bank
- Promote a risk-aware culture in the Bank

Business Unit managers.

- Build a risk aware culture within their respective units
- Agree together with second line on key risk performance targets and thereafter work towards achieving them
- Responsible for identifying, recording, reporting, and managing their own risks ensuring that the right controls are in place to mitigate them

Employees.

- All employees are responsible for understanding and managing risks in the context of their roles and responsibilities in line with the Bank's values
- All employees are accountable for escalating risk issues to their line managers, business unit Heads and to the Risk Management Domain

Internal Audit.

- Provides independent and objective assurance of the adequacy of the design and operational effectiveness of the Bank's risk management framework and control governance processes

3. Use of external credit ratings under the standardized approach for credit risk.

The bank does not use external Credit Ratings in any way for Credit risk management.