KCB

PILLAR III ANNUAL DISCLOSURES

AS AT 31ST DECEMBER 2024

For People.
For Better.

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1. INTRODUCTION

KCB Bank Uganda Ltd (KCBU) was incorporated in 2007 in Uganda as a Tier 1 Commercial Bank. Risk Management is an integral process in the conduct of business within KCBU and is critical for decision making.

The Board has the mandate to determine the overall risk management practices of KCBU. The Board delegates its authority to management through establishment of policies, frameworks, guidelines and committees. Management exercises its delegated authority for risk management in the bank through establishment of committees, tools, procedures and guidelines that staff and other stakeholders observe in order to create a sustainable risk culture.

2. PILLAR III DISCLOSURES

The Pillar III Risk Management disclosures report provides an annual overview of KCBU's risk management structure which includes, regulatory capital profile and risk weighted assets as at the end of the period. This report has been prepared in conformance with the Bank of Uganda guidelines on Pillar III disclosures as stipulated in the Internal Capital Adequacy and Assessment Process and Pillar III Market Discipline requirements.

This report has been reviewed and approved by CMT and Board. The Bank was adequately capitalized as at 31 st December 2024.
The information contained in this report is unaudited.

3. BOARD ATTESTATION FOR THE PILLAR III DISCLOSURES

In accordance with Bank of Uganda requirements, the Board Confirms that the Pillar III Disclosures report for the one year period ending 31 st December 2024 has been prepared in accordance with guidelines established by Bank of Uganda and agreed internal review processes.

Signed	Signed
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Edgar Byamah	Constant Othieno Mayende
Managing Director	**Board Chairman**

4. DIS01 KEY METRICES

		a	b	c	d	e
		Dec'24	**Sep'24**	**Jun'24**	**Mar'24**	**Dec'23**
	Available capital (amounts)					
1	Core capital	186,259,794	173,791,546	166,356,371	165,843,383	141,488,370
2	Supplementary capital	8,842,872	8,706,405	7,645,162	7,915,978	7,525,991
3	Total capital	195,102,666	182,497,951	174,402,969	173,759,361	149,014,361
	Risk-Weighted Assets (Amounts)					
4	Total risk-weighted assets (RWA)	1,156,264,286	1,117,503,713	1,129,012,659	1,147,859,453	937,338,126
	Risk-based capital ratios as a percentage of RWA					
5	Core capital ratio (%)	16.11%	15.55%	14.73%	14.45%	15.09%
6	Total capital ratio (%)	16.87%	16.33%	15.45%	15.14%	15.89%
	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	0	0	0	0
9	Systemic buffer (for DSIBs) (%)	0	0	0	0	0
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 (%)	3.61%	3.05%	2.23%	1.95%	2.59%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	1,925,869,402	1,942,686,121	1,908,429,867	1,814,994,543	1,539,575,139
14	Basel III leverage ratio (%) (row 1 / row 13)	9.67%	8.95%	8.72%	9.14%	9.19%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)	714,856,390	420,028,670	253,451,747	290,922,865	290,600,889
16	Total net cash outflow	387,686,344	294,305,813	193,796,765	212,234,155	216,005,853
17	LCR (%)	184%	143%	131%	137%	135%
	Net Stable Funding Ratio					
18	Total available stable funding	1,069,370,644	1,163,310,714	1,117,913,739	1,265,334,545	1,059,629,486
19	Total required stable funding	691,428,180	779,494,555	925,368,674	868,837,413	724,983,808
20	NSFR	154.7%	149.2%	120.8%	145.6%	146.2%

5. DIS02 RISK MANAGEMENT APPROACH

Purpose: Description of KCBU's strategy and how senior management and the board of directors assess and manage risks, enabling users to gain a clear understanding of the KCBU's risk tolerance/appetite in relation to its main activities and all significant risks.

a.	The risk governance structure: responsibilities attributed throughout the SFI (e.g. oversightand delegation of authority; breakdown of responsibilities by type of risk, business unit etc); relationships between the structures involved in risk management processes (e.g.board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function).	KCB Bank Uganda Limited (KCBU) has a comprehensive risk governance framework that ensures clear accountability, effective oversight, and robust risk management. At the Board level, the Board of Directors, through the various board committees i.e., Board Risk Committee, Board Audit Committee, Board Credit Committee, Board Assets and Liabilities Committee oversee the Bank's risk appetite to ensure alignment with strategic objectives and emerging risks, evaluate internal controls and audit processes, and that senior management and executive's operations align with the bank's risk appetite. Senior management, led by the Managing Director, translates the Board's risk strategy into actionable processes and procedures, monitors exposures, and ensures timely corrective action through the various management committees i.e., the Management Risk Committee, Management Credit Committee and the Management Assets and Liabilities Committee. At the departmental and unit level, designated Risk Champions within each business unit collaborate with the Risk Management Department to identify, assess, and escalate risks. Specialized units under the Risk Management Department focus on specific risk types, including Credit, Market, Operational, IT, Compliance, Liquidity, and Strategic risks among others, ensuring a targeted approach to risk mitigation. The bank employs a Three Lines of Defense model: the first line includes operational management and business units responsible for identifying and managing risks; the second line encompasses Risk Management, Compliance and other control functions, which monitor adherence to policies and risk appetite; and the third line comprises Internal Audit, providing independent assurance to the Board Audit Committee on the effectiveness of controls and governance. This integrated structure, with strong relationships between the Board, senior management, risk department and the respective business unit functions, ensures proactive risk management aligned with international standards and stakeholder expectations.
b.	Channels to communicate, decline and enforce the risk culture within the SFI (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions).	KCBU's risk culture is underpinned by a comprehensive framework that includes robust policies i.e., Code of Conduct, Ethics Policy, Risk Management Policies (Strategic Risk, IT Risk, Anti-Fraud etc.), Risk Appetite Framework, Operational Risk Assessment and Management Policy and Framework, IT Risk Management Framework, etc., all of which articulate the values, principles, and expectations regarding risk-taking and compliance. The bank employs a centralized risk management system that facilitates ongoing Risk and Control Self-Assessments (RCSAs), enabling business lines to identify, evaluate, communicate and address risks proactively. Operating manuals define limits and procedures to manage and escalate breaches, while mechanisms like whistleblowing channels and periodic reviews ensure that violations are addressed swiftly. Risk issues are shared and resolved through structured communication protocols between business lines and the risk function, supported by ongoing stakeholder engagement, which includes training, workshops, and regular reminders to reinforce awareness and accountability. Continuous monitoring, aided by the various reporting tools, ensures adherence to established thresholds and policies, promoting a consistent and proactive risk management culture across the bank.
c.	Description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure.	KCBU has a structured process for risk information reporting to ensure that the Board and senior management receive timely, accurate, and relevant insights into the institution's risk exposures. Risk reports are submitted monthly to the Risk Management Department with detailed inputs provided by business units through the bank's centralized risk management system. These monthly reports encompass granular information, including the identification and assessment of current risks, the status of previously reported risks, performance of implemented controls, and any breaches of thresholds. The system ensures comprehensive tracking, enabling real-time updates and detailed analyses of operational, credit, market, compliance, IT, and other risk categories. Key risks and any emerging risk items are then reported by the respective department Heads to the Management Risk Committee (MRC) and subsequently to Senior management to ensure adequate mitigations are defined and implemented for all identified risk items. Quarterly reports, submitted to the Board, provide a more aggregated and strategic overview, focusing on key risk metrics, trends, and exceptions, along with high-level summaries of the MRC's findings and recommendations. This distinction ensures that while senior management and the MRC have access to exhaustive operational details for immediate decision-making, the Board is equipped with strategic insights to guide policy, governance, and long-term risk management priorities.
d.	Qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management).	The Bank has a Stress Testing Framework approved by Board which guides the evaluation of the potential effects on a bank's financial condition, of a set of specified changes in risk factors corresponding to exceptional but plausible events.The material risks that the bank stress tests include Credit risk, Forex Risk, Liquidity Risk, Interest Rate Risk in the Banking Book, Operational Risk and related risks.The stress/risk factors included in the stress testing process shall include; Interest rates, NPL, Provisions, Sector performance, Foreign exchange rates and Macro-economic factors.
e.	The strategies and processes to manage, hedge and mitigate risks that arise from the SFI's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants.	The bank maintains a diversified portfolio of products and services to ensure sustained service delivery which is supported by reliable IT infrastructure coupled with a robust business continuity management programme for business resilience. In addition, the bank's Management Asset and Liability Committee determines appropriate action to ensure that the bank maintains an efficient balance sheet.

6. DIS03 OVERVIEW OF RISK WEIGHTED ASSETS (RWA)

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.				
		a	**b**	**e**
		RWA		**Minimum capital requirements**
		Dec'24	**Sep'24**	**Dec'24**
1	Credit risk (excluding counterparty credit risk)	1,040,253,168	1,017,011,287	124,830,380
2	Counterparty credit risk (CCR)	19,854,771	11,138,800	2,382,572
3	Market risk	17,535,783	16,826,527	2,104,294
4	Operational risk	78,620,564	72,527,098	9,434,468
5	Total (1 + 2 + 3 + 4)	**1,156,264,286**	**1,117,503,713**	**138,751,714**

7. DIS04 COMPOSITION OF CAPITAL

DIS04 COMPOSITION OF CAPITAL			
Purpose: Provide a breakdown of the constituent elements of KCBU's capital.			
		a	**b**
	Common Equity Tier 1 capital: instruments and reserves	**Dec'24**	**June'24**
1	Permanent shareholders equity (issued and fully paid-up common shares)	150,000,000	150,000,000
2	Share premium		
3	Retained earnings	55,966,528	50,430,422
4	Net after tax profits current year-to date (50% only)	1,113,794	
5	General reserves (permanent, unencumbered and able to absorb losses)		
6	**Tier 1 capital before regulatory adjustments**	207,080,322	200,430,422
	Tier 1 capital: regulatory adjustments	**207,080,322**	**200,430,422**
8	Goodwill and other intangible assets	6,878,779	6,604,348
9	Current year's losses	-	9,905,107
10	investments in unconsolidated financial subsidiaries		
11	deficiencies in provisions for losses		
12	Other deductions determined by the Central bank	1,621,217	244,064
13	Other deductions determined by the Central bank - (Deferred tax asset)	12,320,532	17,320,532
14	Total regulatory adjustments to Tier 1 capital	20,820,528	34,074,051
15	Tier 1 capital	186,259,794	166,356,371
	Tier 2 capital: Supplementary capital		
16	Revaluation reserves on fixed assets		
17	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	8,842,872	8,046,598
18	Hybrid capital instruments		
19	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)		
20	Tier 2 capital	8,842,872	8,046,598
21	Total regulatory capital (= Tier 1 + Tier2)	195,102,666	174,402,969
22	Total risk-weighted assets	1,156,264,286	1,129,012,659
	Tier 2 capital: Supplementary capital		
23	Tier 1 capital (as a percentage of risk-weighted assets)	16.11%	14.73%
24	Total capital (as a percentage of risk-weighted assets)	16.87%	15.45%
25	Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets)	2.50%	2.50%
26	Of which: capital conservation buffer requirement	2.50%	2.50%
27	Of which: countercyclical buffer requirement		
28	Of which: bank specific systemic buffer requirement		
29	Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	2.50%	2.50%
	Minimum statutory ratio requirements		
30	Tier 1 capital adequacy ratio	12.75%	12.75%
31	Total capital adequacy ratio	14.75%	14.75%

8. DIS05 ASSET QUALITY

DIS05 ASSET QUALITY

Purpose: Provide a comprehensive picture of the credit quality of KCBU (on- and off-balance sheet) assets.

		a	b	d	e	f	g
		Gross carrying values of		**Provisions as per FIA2004**		**Interest in suspense**	**Net values (FIA)**
		Defaulted exposures	**Non-defaulted exposures**	**Specific**	**General**		**(a+b-d-e)**
1	Loans and advances	55,786,056	868,465,288	33,799,125	8,842,872	6,164,979	884,287,240
2	Debt Securities		447,159,795				447,159,795
3	Off-balance sheet exposures		189,844,570				189,844,570
4	**78,620,564**	**55,786,056**	**1,505,469,653**	**33,799,125**	**8,842,872**	**6,164,979**	**1,521,291,605**

9. DIS06 CHANGES IN DEFAULT

DIS05 ASSET QUALITY

Purpose: Identify the changes in a KCBUs 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.

		a
1	Defaulted loans & advances, debt securities and off balance sheet exposures at end of the previous reporting period	78,421,731
2	Loans and debt securities that have defaulted since the last reporting period	26,170,770
3	Returned to non-defaulted status	5,609,096
4	Amounts written off	32,957,022
5	Other changes	(10,240,326)
6	**Defaulted loans & advances, debt securities and off balance sheet exposures at end of the reporting period** (1+2-3-4+5)	55,786,056

10. DIS07 DISCLOSURE ON ECDs

DIS07 DISCLOSURE ON ECDs

Purpose: Qualitative data on the use of external ratings under standardized approach for credit risk

a	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the SFIs, and the reasons for any changes over the reporting period; KCBU uses Moody's and Fitch rating agencies to arrive at the Credit risk rating for the Uganda government securities and banking relationships for counter parties.
b	The asset classes for which each ECAI or ECA is used; Uganda Government Securities.

Signed

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Frank Balabyeki

Head of Risk

Signed

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Edgar Byamah

Board Chairman

KCB

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