Stanbic Bank

Stanbic Bank Uganda Limited

Financial Institutions (Liquidity) Regulations 2023, Disclosure Requirements

For the period ended 31 March 2026

THIS REPORT

This report sets out the Stanbic Bank Uganda Limited disclosures in accordance with the Bank of Uganda Financial Institutions (Liquidity) Regulations 2023, **Disclosure Requirements.**

Section 14 (1) of the Financial Institutions (Liquidity) Regulations 2023 requires a financial institution to disclose information regarding its liquidity position and liquidity risk management on its website after every three months. The information referred to in sub regulation (1) above shall include:

- the strategy of the financial institution for managing liquidity risk;
- the governance of the liquidity risk;
- liquidity risk management function and interaction with other functional areas;
- stress testing and forecasting framework;
- the ratio of liquid assets to total deposits ratio, including the main drivers of any changes to the ratio during the report period;
- the liquidity coverage ratio, including the main drivers of any changes to the ratio during the report period, composition of high-quality liquid assets and any currency mismatches; and
- net stable funding ratio, including the main drivers of any changes to the ratio during the period and composition of available stable funding.

REQUIRED PRUDENTIAL REGULATORY METRICS

The following table provides an overview of the SBU prudential regulatory metrics

	Amounts UShs' 000	31-Mar-26	31-Dec-25	30-Sep-25	30-Jun-25	Regulatory limit
	Ratio of liquid assets to total deposits ratio					
1	Liquid Assets	5,735,856,380	5,138,699,652	5,425,961,965	5,138,763,481	
2	Total Deposit liabilities	8,326,010,172	7,975,261,313	8,167,991,059	8,485,871,222	
3	Liquidity ratio	68.9	64.4	66.4	60.6	>=20.0
	Liquidity Coverage Ratio (local currency)					
4	Total high-quality liquid assets (HQLA)	4,471,522,417	3,938,848,523	4,468,545,236	5,405,404,840	
5	Total net cash outflow	1,448,999,166	1,261,160,280	1,122,279,747	1,616,758,849	
6	LCR (%)	308.6	312.3	398.2	334.3	>=100.0
	Liquidity Coverage Ratio (USD)					
7	Total high-quality liquid assets (HQLA)	344,186,902	452,511,958	189,510,354	500,790,130	
8	Total net cash outflow	147,656,976	165,793,205	171,741,280	376,450,038	
9	LCR (%)	233.1	272.9	110.3	133.0	>=100.0
	Liquidity Coverage Ratio (foreign currency)					
10	Total high-quality liquid assets (HQLA)	464,982,740	544,635,068	280,148,287	585,152,986	
11	Total net cash outflow	200,301,845	180,339,024	215,584,399	273,353,028	
12	LCR (%)	232.1	302.0	129.9	214.1	>=100.0

	Amounts UShs' 000	31-Mar-26	31-Dec-25	30-Sep-25	30-Jun-25	Regulatory limit
	Liquidity Coverage Ratio (total currency)					
13	Total high-quality liquid assets (HQLA)	4,936,505,158	4,534,659,034	4,777,901,966	5,405,404,840	
14	Total net cash outflow	1,545,981,725	1,279,560,951	1,305,324,594	1,616,758,849	
15	LCR (%)	319.3	354.4	366.0	334.34	>=100.0
	Net Stable Funding Ratio (local currency)					
16	Total available stable funding	6,593,364,155	5,691,450,635	6,170,042,905	6,303,006,983	
17	Total required stable funding	3,687,439,839	3,225,158,005	3,506,683,599	3,491,959,102	
18	NSFR	178.8	176.5	176.0	180.5	>=100.0
	Net Stable Funding Ratio (USD)					
19	Total available stable funding	2,810,873,751	2,898,020,150	2,732,164,879	3,184,602,938	
20	Total required stable funding	1,132,215,442	1,270,932,293	1,034,415,035	1,103,691,229	
21	NSFR	248.3	228.0	264.1	288.5	>=100.0
	Net Stable Funding Ratio (foreign currency)					
22	Total available stable funding	3,521,702,321	3,074,059,155	2,924,899,009	3,531,847,587	
23	Total required stable funding	1,672,097,214	1,715,657,170	1,496,372,661	1,749,997,728	
24	NSFR	210.6	179.2	195.5	201.8	>=100.0
	Net Stable Funding Ratio (total currency)					
25	Total available stable funding	9,882,833,977	8,788,135,175	9,130,414,639	9,834,854,570	
26	Total required stable funding	5,359,537,050	5,005,919,313	5,076,429,975	5,241,956,830	
27	NSFR	184.4	175.6	179.9	187.6	>=100.0

The liquidity ratio rose 4.5% quarter-on-quarter, driven by higher liquid assets, including an 11.6% increase in government security holdings funded by local currency deposit growth.

Local currency liquidity coverage ratio dropped 3.73% quarter-on-quarter, driven by faster growth in net outflows (14.9%) from growth in customer deposits, compared to growth in High Quality Liquid Assets (13.5%).

The USD liquidity coverage ratio dropped 39.8% quarter-on-quarter, driven by a 23.9% drop-in High-Quality Liquid Assets (resulting from optimization of liquidity), compared to a 10.9% drop in net outflows.

The foreign currency liquidity coverage ratio dropped 69.87% quarter-on-quarter, driven by a 14.6% drop-in High-Quality Liquid Assets (resulting from optimization of liquidity), compared to a 11.1% increase in net outflows

The total currency liquidity coverage ratio dropped 35.1% quarter-on-quarter, as net outflows (20.8%) outpaced the growth in High Quality Liquid Assets (8.9%), driven by customer deposit growth and optimisation initiatives, respectively.

The net stable funding ratio for local currency increased by 2.3% quarter-on-quarter, driven by an increase in customer deposits and the deployment of liquidity in government securities and loans to customers.

The USD net stable funding ratio increased by 20% quarter-on-quarter, driven by a 10.9% decrease in required stable funding. This was primarily due to a decline in loans to customers and banks, which outpaced a simultaneous reduction in available stable funding from customer deposits.

The net stable funding ratio for foreign currency increased by 31% quarter-on-quarter, driven by an increase in available stable funding by 14.6%, offset by a 2.5% drop in required stable funding from a drop in loans and advances to customers and banks.

The net stable funding ratio for total currency increased by 9% quarter-on-quarter, driven by an increase in available stable funding by 12.5% mainly under local currency, offset by 7.1% increase in required stable funding from increased investment in government securities.

Note: Given weekly Bank of Uganda reporting requirements for LCR and NSFR, the March figures represent the last week of the month (as at 27th March 2027).

STANBIC STRATEGY FOR MANAGING LIQUIDITY RISK

The Board is responsible for establishing the overall strategic direction. We place the interests of our clients, and the communities impacted by our business at the centre of our decision-making, ensuring that we act in accordance with what is good for the Bank and for society. The Bank's strategy is underpinned by our purpose and defined in the context of our three strategic pillars below.

Defend and grow our core

Win in our growth levers

Enhance legitimacy to operate

To ensure we are effective in delivering our strategy, we have developed six strategic value drivers indicated below to help us focus our efforts and measure the progress we are making.

Client focus
Delivering valuable, integrated, digital solutions to our clients

Employee engagement
Shaping a future-ready workforce

Risk and conduct
Doing the right business, the right way

Operational Efficiency
Delivering comprehensive solutions with maximum efficiency.

Financial outcome
Achieving our medium-term financial targets

Social, economic, and environmental impact
Driving long-term sustainability

Risk appetite and strategy setting culminates in asset growth targets, profitability targets, balance sheet composition decisions, pricing decisions, and funding plan. All these decisions have the potential to significantly impact the Bank's liquidity needs.

Asset growth targets and balance sheet composition typically impact the Bank's liquidity requirements and funding needs. The pricing of assets and liabilities also has an impact on liquidity needs for the Bank in both the short and long run. The total impact of strategic initiatives must be understood and measured to ensure that optimal liquidity levels are maintained in line with the strategic direction set by the Board.

Stanbic Bank embraces stress testing and contingency planning as an integral part of its planning and risk management.

THE GOVERNANCE OF THE LIQUIDITY RISK

Stanbic Bank Uganda Limited liquidity risk governance structure sets the minimum governance standards for the measurement, control, management and reporting of liquidity risk. The bank's liquidity risk management framework is outlined in the governance mandates, standards, plans, and policy documents highlighted below:

Stanbic Bank Uganda Limited Liquidity Risk Policy;

Stanbic Bank Uganda Limited Liquidity and Contingency Recovery Plan;

Stanbic Bank Uganda Limited Profiling Methods for Liquidity Risk;

Stanbic Bank Uganda Limited Financial and Capital Plan;

Stanbic Bank Uganda Limited Funds Transfer Pricing Policy;

Stanbic Bank Uganda Limited Early Warning Indicator System (EWIS) Policy;

Stanbic Bank Uganda Limited ALCO Mandate;

Stanbic Bank Uganda Limited Integrated Recovery Plan;

Stanbic Bank Uganda Limited 2025 Stress testing plan and Stress testing policy;

Stanbic Bank Uganda Limited Interest Rate Risk in the Banking Book Policy (IRRBB);

Stanbic Bank Uganda Limited Risk Appetite Policy; and

Market Risk policy.

Liquidity planning and forecasting
The Bank's planning processes articulate the strategic and financial objectives of the Bank. The annual process facilitates the measurement of key performance indicators which drive delivery of the required Risk Adjusted Performance Measures (RAPM). Furthermore, the process identifies those financial levers that senior management can take to enforce corrective actions where outcomes deviate from the plan.

Liquidity planning forms an integral part of the Bank's planning processes by developing forecasts of the Funding supply and demand. The annual liquidity planning process therefore ensures that sufficient liquidity is maintained over the forecast period to meet the Bank's strategic initiatives and to meet regulatory liquidity requirements.

Liquidity Contingency Plan (LCP)

The Stanbic Bank liquidity contingency plan (LCP) sets out the Bank's strategies for dealing with liquidity stress scenarios of varying levels of severity. The objective is to ensure appropriate liquidity is available during periods of temporary and long-term adverse liquidity situations, and to provide a pre-planned response mechanism for managing such situations. The LCP incorporates the various elements required to identify, assess, communicate and remediate a liquidity stress event. It is also intended to facilitate a swift and effective response during liquidity stress periods which may be as a result of a market or bank specific event. The LCP is reviewed and updated annually. The funding options within the liquidity contingency plan are tested within business as usual to verify that the LCP is operationally robust. The LCP aims to mitigate, as far as possible, the impact of a liquidity crisis by establishing a governance framework which:

details the Bank's response to a liquidity problem;

identifies escalation procedures, guidelines and management actions together with essential management information;

permits an understanding of the impact a liquidity crisis might have on up and downstream stakeholders and outlines appropriate communication; and

incorporates the lender of last resort principle in the event that the Bank is fundamentally solvent but requires Central Bank assistance to effectively deal with a liquidity stress.

Interest rate risk in the banking book (IRRBB)

IRRBB refers to the current and/or future risk to the Bank's earnings and capital arising from adverse movements in interest rates that impact the Bank's banking book positions.

Changes in interest rates affect a bank's earnings by altering the level of NII generated from interest rate sensitive assets, liabilities and off-balance sheet items[1]. Excessive levels of IRRBB can pose a significant threat to a bank's future earnings and/or capital base if not managed appropriately.

The four main sub-types of IRRBB are:

(i) **Gap risk (excluding endowment risk):** arises from the term structure of banking book instruments and describes the risk arising from the timing of instruments' rate changes. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk, also referred to as yield curve risk).

(ii) **Basis risk:** the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices; and

(iii) **Option risk:** arises from derivative positions containing optionality or from optionality embedded in a bank's assets, liabilities and/or off-balance sheet items, where the optionality provides the Bank or its customer the right but not the obligation to alter the level and timing of cashflows. Option risk can be characterised as automatic (e.g. derivative positions) or behavioural (i.e. prepayment) option risk.

(iv) **Endowment risk:** Given the general business model and strategy of the Bank, as well as the markets in which we operate, the largest contributor to IRRBB is endowment risk, which is defined as a special instance of gap risk. Endowment risk refers to the interest rate risk exposure arising from interest rate insensitive assets (such as non-earning assets) and/or interest rate insensitive liabilities (such as non-paying liabilities) and capital.

This includes partially sensitive assets and liabilities, where the asset or liability can be modelled by both a fully rate sensitive and a fully rate insensitive portion. Examples of partially sensitive liabilities are discretionary rate deposits where only a portion of an interest rate change is passed through to clients at the Bank's discretion.

Management, monitoring, and mitigation Governance

The Treasury and Capital Management (TCM) team is responsible for measuring, monitoring, and reporting interest rate risk impact in the banking book against risk appetite to ALCO, Board and Group.

Measurement of IRRBB

Stanbic Bank Uganda primarily uses an earnings-based approach for the measurement, monitoring, and management of IRRBB. This section describes the key metrics used to measure and monitor IRRBB.

1 For IRRBB, off-balance sheet items refer to the impact of interest rate swaps, forward rate agreements and other interest rate derivatives in the banking book.

Earnings At Risk

IRRBB Earnings at Risk (EaR) is quantified monthly and forms part of the Group's EaR calculation.

The interest rate scenarios generated from the IRRBB Vector Autoregressive (VAR) Rate Shock Model are modelled at a 90% confidence level (i.e. 1 in 10-year event) per material currency. While the impact of the interest rate scenarios is calculated on a per currency basis, the overall impact on earnings is to be calculated at an aggregated currency level, considering diversification across the interest rate environments as appropriate.

Stanbic Bank Uganda set IRRBB appetite trigger (25%) and tolerance (30%) limits, and these were approved by the ALCO. A breach of these 'fit for purpose' IRRBB limits require corrective actions to be considered, which will most likely be in the form of an endowment hedge.

LIQUIDITY RISK MANAGEMENT FUNCTION AND INTERACTION WITH OTHER FUNCTIONAL AREAS.

Liquidity risk is defined as the risk that the Bank, although balance-sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Funding liquidity risk refers to the risk that the counterparties who provide the Bank with funding, will withdraw or not roll-over funding.

Market liquidity risk refers to the risk of a generalised disruption in asset markets that make normally liquid assets illiquid resulting in the potential loss through the forced sale of assets resulting in proceeds being below their fair market value.

Liquidity problems can have an adverse impact on a bank's earnings and capital and, in extreme circumstances, may even lead to the collapse of a bank which is otherwise solvent. A liquidity crisis involving individual banks that play an active or major role in financial activities may have systemic consequences for other banks and the banking system. Sound liquidity risk management is therefore pivotal to the viability of every bank and the maintenance of overall banking sector stability.

Governance

In managing its risk profile, the Bank will always ensure that it is compliant with local rules and regulations; and as such the impact of local regulatory requirements is incorporated in the liquidity risk policy of the Bank.

The Board and EXCO review and set the liquidity risk policy biennially (including annual confirmation of applicability and adherence via the self-assessment process) in accordance with regulatory requirements, international best practice and the Stanbic Bank Uganda Limited liquidity risk appetite. This ensures a comprehensive and consistent governance framework for liquidity risk management is maintained for the Bank. Stanbic Bank Uganda Limited ALCO is responsible for ensuring compliance with liquidity risk policies while the SBG Africa Regions Balance Sheet Management team is responsible for the independent risk oversight of the Bank's liquidity risk management.

As part of a comprehensive liquidity management process, the Bank distinguishes between tactical, strategic and contingent liquidity risk. These three risk management categories are governed by a comprehensive internal governance framework to identify, measure and manage exposure to liquidity risk. Combining each of these risk management categories allows for effective liquidity risk monitoring.

Liquidity risk is managed according to a set of defined principles. These principles are aligned with international best practice standards and are designed to support the business strategies by ensuring liquidity at all times, across market cycles, and through periods of financial stress. The detailed principles are contained in the liquidity risk and other related policies.

Compliance with all capacity and tolerance limits as well as appetite triggers should be clearly documented, up-to-date and readily accessible to the legal entity Market Risk, Finance, Liquidity Risk Management and Asset Liability Management (hereafter referred to as ALM) and, where applicable, to the business unit staff.

Group ALM is responsible for the independent risk oversight of liquidity risk management for Stanbic Bank (U) Ltd and involves:

frequent sight of ALM management information;

routine formal meetings with ALM role players;

the review of liquidity management methodologies and assumptions as well as the participation in liquidity contingency planning and stress testing; and

ensuring ongoing compliance in accordance with the liquidity Policy.

Liquidity Risk Monitoring Items, Appetite Triggers and Tolerance Limits

Risk appetite across all risk types is determined for the Bank and is reviewed annually as part of the business planning and forecasting process. The risk appetite statement is governed by the Group Risk Appetite Governance Framework for banking operations.

Unless specified to the contrary, all monitoring items, appetite triggers and tolerance limits are assumed to be end-of-day based. Tolerance limits, appetite triggers and monitoring items must be categorised as:

Those imposed by the local Regulator; or Internal.

Strategic liquidity Management

Liquidity Risk Management Principles

A sound and robust liquidity management process is required to measure, monitor and manage liquidity exposures. In terms hereof, the following liquidity risk management principles must be adhered to. These are based on Stanbic Bank (U) Ltd's consolidated liquidity risk exposure, aggregated from individual business units and regulatory requirements. The respective principles which form strategic liquidity management are as follows:

1. structural liquidity mismatch management;
2. maintaining minimum levels of liquid and marketable assets;
3. depositor concentration restrictions;
4. loan to deposit (LtD) ratio
5. liquidity stress and scenario testing;
6. liquidity contingency planning;
7. cross currency funding reliance limit
8. interbank reliance limit;
9. intra-day liquidity management;
10. collateral management;
11. daily cash flow management;
12. funds transfer pricing; and
13. funding plans.

Risk Mitigation Strategies

The risk mitigation strategies employed by the Bank are driven by the outcome of the liquidity risk measurements and the impact of the liquidity risk exposures on the Bank's liquidity position and business activities. As such, it is imperative that liquidity risks are identified early using early warning indicators. However, a key principle that underpins the risk mitigation strategies adopted by the Bank is the need to maintain a balance between managing identified liquidity risks within risk appetite and the cost of remediation. Some of the risk mitigation strategies adopted to manage liquidity risk breaches on the balance sheet are documented in the Bank's Liquidity and Contingency Recovery Plan.

Early Warning Indicators and Triggers

This system enables the monitoring of the evolution/ trends of several indicators that tend to exhibit unusual behaviour in periods preceding a severe financial stress event. When an indicator exceeds a certain threshold, this is interpreted as a warning "signal" that a severe financial stress event may occur within a certain timeframe. These indicators incorporate qualitative and quantitative measures, both bank specific and market related, that could

lead to a severe financial stress which stems from risks such as:

- Capital or liquidity stress
- Poor financial performance
- IT or operational incidents
- Market conduct incidents
- Breach of regulatory requirements
- Country financial stability
- Poor market confidence
- Weak economic environment

The aim of monitoring early warning indicators is to enable adequate actions to be taken preceding a severe financial stress to restore Business-as-Usual (BAU) as soon as possible and allowing the Bank to steer away from severe stress at an early stage. These actions range from BAU risk management mitigating actions, central financial resource management actions, pro-active business model/ subsidiary support reviews and active management of threat to the Stanbic reputation.

The early warning indicators have been calibrated to ensure that responses are appropriate to the level of stress, thus avoiding unnecessary overreaction or negative publicity that could aggravate the problem. On-going reporting, as well as communication to key stakeholders such as regulators and board members is also included.

Governance

The EWIS Policy is a critical management tool and hence must be reviewed at least annually. As some indicators are bank specific and others are market related, a re-evaluation and modification of these indicators and triggers must also be considered as and when the internal or market conditions change to be reflective of prevailing conditions.

Risk Monitoring and Control

The analysis of liquidity risk needs to be forward-looking and must anticipate potential liquidity squeezes based on a range of liquidity benchmarks and early warning indicators and triggers. Early detection, advance preparations, and prompt responses can avoid, minimise, or shorten potential liquidity crises.

Identified liquidity risk indicators are monitored by the ALM desk and are managed in line with the liquidity risk principles documented in the Bank's liquidity risk policy. Some of the risk monitoring and control actions include;

Defining risk appetite as part of the Bank's business planning and budgeting process, that are translated into board-approved tolerance limits and appetite triggers with mandates cascaded to the different business areas of the Bank.

Reporting quantified liquidity risk indicators against triggers and thresholds.

Identification of liquidity stress events through the use of the early warning indicators.

Liquidity stress testing including testing of contingent funding sources.

Maintaining an ongoing presence in the funding markets for liabilities.

Implementation of risk management methodologies that cover data standards for quality and integrity, control requirements and liquidity risk model reviews and validation.

STRESS TESTING AND FORECASTING FRAMEWORK

Objectives

Stress testing is a key management tool within Stanbic Bank used to evaluate the sensitivity of the current and forward risk profile relative to different levels of risk appetite.

Stanbic Bank conducts stress testing to:

Provide a forward-looking assessment of the impact of stress conditions on the Bank's earnings, capital, and liquidity position, thus enabling liquidity buffers and funding plans to be appropriately determined and informing the budgeting and strategic planning processes;

Assist in a comprehensive identification of risks and assess the potential vulnerability of the Bank to exceptional but plausible risk events;

Give the Bank a clearer understanding of the impact of contingency plan options and the impact of various mitigating actions; and

Give management and the Board a stronger understanding of the Bank's balance sheet risks and allow closer interaction between different areas of the Bank so that such balance sheet risks can be managed in an integrated way.

Stress testing also supports several business processes including:

Strategic planning and financial budgeting;

The Internal Liquidity Adequacy Assessment Process (ILAAP), including liquidity planning and management, and the setting of liquidity thresholds that are higher than the prudential requirements;

The Internal Capital Adequacy Assessment Process (ICAAP), including capital planning and management, and the setting of capital buffers;

Informing the setting of risk appetite statements;

Identifying and proactively mitigating risks through actions such as reviewing and changing limits, limiting exposures and hedging;

Facilitating the development of risk mitigation or contingency plans, including recovery plans, across a range of stressed conditions; and

Supporting communication with internal and external stakeholders.

Types of Stress Testing

The Bank conducts a wide range of stress testing with varying scope and severity levels. They can broadly be divided into three types; scenario testing, risk factor sensitivity analysis and reverse stress testing. The Stanbic Bank stress testing program uses one or a combination of these stress testing techniques.

Scenario Testing

Stress testing in the context of the ILAAP submission relates mainly to scenario testing. A scenario specifies the shocks that might affect several different risk factors simultaneously if a severe, but plausible, event occurs. Scenarios can be based on historical or hypothetical events, or a combination of the two. In line with regulatory guidance, three elements are captured in the forward-looking scenario testing:

Changes relating to extreme events; these are defined by the risk drivers articulated for the chosen macroeconomic scenarios.

Changes to the business plan; stresses are applied to projections which reflect the changes in business profile as per the medium-term planning.

Changes in business cycles; these will be incorporated through appropriate calibration of risk drivers and risk factor changes to the current vs. expected macroeconomic state.

Risk Factor Sensitivity Analyses.

Single or multiple risk factor sensitivity analyses are also performed as requested, by management or the Board. These typically are not defined in the full context of economic or business conditions but are useful in allowing the Bank to assess the likely bounds of the impact on its financial resources.

Reverse Stress Testing

Reverse stress tests require Stanbic Bank to assess scenarios and circumstances that would render its business model unviable, thereby identifying potential business vulnerabilities. Reverse stress testing starts from the point of failure of the business model and then working backwards to identify circumstances or scenarios under which this might occur. As part of the stress testing program of work, consideration is given to scenarios which could challenge the viability of the Bank.