

**Bank of India  
(Uganda) Ltd**

**BOI**



**BANK OF INDIA UGANDA LIMITED (BOIUL)**

**PILLAR 3 MARKET DISCIPLINE: GUIDELINES ON  
DISCLOSURE REQUIREMENTS**

**AS AT 31<sup>ST</sup> MARCH 2024**

**Resolution- Board Risk committee Agenda By circulation No 02 Dtd 12.04.2024**

Board Risk Management Committee Agenda by circulation, recommended by the Ag Managing Director regarding approval of the Pillar 3 market disclosure data as of 31.03.2024 of the bank and after noting the contents it was:-

Resolved that approval be and is hereby given for the approval of the pillar 3 Market Disclosure data of the bank as on 31.03.2024.

S.N	Name of Director	Designation	Signature
1	Mr. Wenceslaus Rama Makuza	Chairman (Independent Non-Executive Director)	
2	Ms Nayenga Rosetti Nabbumba	Independent Non-Executive Director	
3	Mr Sameer Ranjan Behera	Ag. Managing Director	

Templates	Name	Frequency	Publication date
DIS01:	Key prudential metrics	Quarterly	30th of the month following the end of the Quarter
DIS02:	Risk Management approach	Annual	30th of the month following the end of Year
DIS03:	overview of RWA	Quarterly	30th of the month following the end of the Quarter
DIS04:	Composition of Capital	Semi-annual	30th of the month following the end of half year
DIS05:	Asset quality	Semi-annual	30th of the month following the end of half year
DIS06:	Changes in stock of defaulted lo	Annual	30th of the month following the end of half year
DIS07:	Disclosures on ECAs-	Annual	30th of the month following the end of Year
Board resolution	Board Resolution	Annual	30th of the month following the end of Year

DIS01: Key Prudential Metrics		T	Jun-23	Sep-23	Dec-23	Mar-24
<b>Available capital (amounts) in UGX(000's)</b>						
1	Core capital		129,278,129	129,801,208	132,583,881	140,247,876
2	Supplementary capital		1,868,100	1,747,177	1,965,889	1,990,157
3	Total capital		131,146,228	131,548,385	134,549,770	142,238,033
<b>Risk-weighted assets (amounts) in UGX (000's)</b>						
4	Total risk-weighted assets (RWA)		195,299,667	212,411,183	219,966,810	230,071,664
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Core capital ratio (%)		30.78%	61.11%	60.27%	60.96%
6	Total capital ratio (%)		31.76%	61.93%	61.17%	61.82%
<b>Capital buffer requirements as a percentage of RWA</b>						
7	Capital conservation buffer requirement (2.5%)		5,494,008	5,695,557	6,007,462	6,259,357
8	Countercyclical buffer requirement (%)		-	-	-	-
9	Systemic buffer (for DSIBs) (%)		-	-	-	-
10	Total of capital buffer requirements (%) (row 7 + row 8 + row 9)		2.68%	2.71%	2.73%	2.72%
11	Core capital available after meeting the bank's minimum capital requirements (%)		20.05%	55.36%	50.38%	50.08%
<b>Basel III leverage ratio</b>						
13	Total Basel III leverage ratio exposure measure		211,543,324	227,822,262	240,298,490	250,374,291
14	Basel III leverage ratio (%) (row 1 / row 13)		61.11%	56.97%	55.17%	56.02%
<b>Liquidity Coverage Ratio</b>						
15	Total high-quality liquid assets (HQLA)		98,475,046	71,132,913	51,688,308	48,383,172
16	Total net cash outflow		13,044,684	11,991,377	13,112,487	12,230,790
17	LCR (%)		754.91%	593.20%	394.19%	395.58%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding					
19	Total required stable funding					
20	NSFR					

## **DIS 02: Bank Of India Uganda Limited Risk Management Approach:**

### **Risk Governance and Process**

The Board of Directors of BOIUL has ultimate responsibility for the effective management of risk and approves the Bank's risk appetite, plans and performance targets. It sets the tone from the top and is advised by the Board Risk Committee. Management is responsible for the day-to-day enterprise-wide management of risk within the Bank, supported by the various committees.

The Bank's risk management process is summarized as follows:

**Risk Identification:** The Bank has adopted a rigorous and ongoing process of risk identification to understand risk within its explicit and implicit objectives and generates a comprehensive inventory of risks to these objectives including new and emerging risks. This identification process is driven by the Risk Management function in the Bank in coordination with all departments of the Bank.

**Risk Assessment:** The Bank establishes the likelihood of each identified risk occurring and the impact of its occurrence on a particular Bank objective. Generally, inherent risk is first assessed to establish the level of exposure in the absence of deliberate management actions to influence the risk; then, residual risk determines the actual remaining level of risk after the mitigating effects of management actions to influence the risk; and lastly, this residual risk is benchmarked against the Bank's risk appetite to determine the need for further management intervention if any.

**Risk Response:** The Bank develops an internal control architecture through: (a) preventative controls to prevent errors or irregularities from occurring e.g. physical security of assets to prevent theft; (b) detective controls to find errors or irregularities after they have occurred e.g. performance of reconciliation procedures to identify errors; and (c) corrective controls that operate together with detective controls to correct errors or irregularities.

### **Risk Monitoring and Communication:**

- The monitoring of risk management in the Bank's various activities mainly involves evaluating the effectiveness of allocated responsibilities, whether risk response strategies are producing the desired result of mitigating risks or exploiting opportunities; and whether a positive correlation exists between improvements in the system of risk management and Bank performance. The Bank also ensures compliance with risk limits, through frequent and timely reviews.
- The Bank has processes in place to identify/assess, monitor, manage, and report risks to help ensure that the Bank remains within its risk appetite. A wide-ranging stress testing programme is part of the risk management, capital, and liquidity planning process. Stress tests provide management with key insights into the impact of severely adverse events on the Bank and provides confidence to regulators on the Bank's financial stability.
- Recovery and resolution plans form part of the integral framework safeguarding the Bank's financial stability. The Bank's recovery plan together with stress testing (both detailed later in this document) help the Bank to understand the likely outcomes of adverse business or economic conditions and in the identification of appropriate risk mitigating actions. The Bank is committed to further developing its recovery and resolution capabilities in line with ongoing/evolving regulatory resolvability assessment framework requirements and best practice.

### **Description of Material Risks**

**Credit Risk:** Credit risk is the risk of losses arising from a customer or counterparty failing to meet its obligations under contract as they fall due. The Bank's credit risk arises principally from direct lending and trade finance, but also from other products such as guarantees and credit derivatives.

The Bank's credit risk management framework broadly covers Board and senior management oversight, policies and procedures for identification, measurement, monitoring, and control of credit risk, and covers other issues such as the review of the credit portfolio, and the use of robust management information systems.

The Bank maintains a credit risk policy which is periodically updated to incorporate internal and external environmental changes. Credit risk is governed by the Board Credit Committee, which delegates approval to the Management Credit Committee with the Credit Department charged with daily management of Credit risk at business level. A typical credit accommodation is managed through a five-step process: (1) Origination, (2) Analysis, (3) Approval, (4) Administration and (5) monitoring & Control.

Both the regulatory classification criteria and the IFRS9 'Financial Instruments' requirements are applied in this assessment of loan loss provisions and the criteria giving the more stringent impairment is considered. Credit weaknesses at portfolio level are also tracked including but not limited to large exposures, and credit concentrations at sector, geographical, currency and product levels.

The Bank's credit strategy aims to support business growth by granting quality loans with strong controls to optimize returns while keeping credit risk within acceptable predetermined limits. This strategy takes into consideration the diversification/concentration needs of the Bank with respect to the above credit concentration variables, while considering the appropriateness of pricing to compensate for this risk.

The Bank's credit risk appetite is determined by way of quantitative risk limits that are periodically assessed by management and presented to the Board for review and approval. The current credit risk appetite is provided in Section 5.

Due to the unique market conditions observed during the Covid-19 outbreak, the Bank's Stress testing framework was revised to mirror those market conditions and give output results that can better inform management. The Bank has also increased its focus on the quality and timeliness of the data used to inform management decisions, to manage the varying level of risk actively throughout the year.

**Market Risk:** Market risk is the risk of losses resulting from adverse changes in the value of positions arising from movements in market prices across foreign exchange and interest rates risk factors for the case of BOIUL. This risk mainly assesses both Foreign Exchange risk and Interest Rate risk within the Bank's banking book.

In Regards to Foreign Exchange Risk, our strategy is mainly focused on merchant trading. The Bank will only buy or sell in the interbank market to cover a customer transactions so as to minimize losses. With this strategy the Bank is able to maintain small FX Net Open position. For the last 5 years the Bank's average Net Open Position has been less than 1.5% of the Bank's Core Capital.

Market risk is managed and controlled under the supervision of Management ALCO through limits approved by the Board. Management uses a range of tools to monitor and limit market risk exposures including sensitivity analysis, and stress testing.

**Interest Rate Risk in the Banking Book (IRRBB):** IRRBB is the risk arising from potential changes in interest rates that affects the banking book. IRRBB refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions.

When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value.

Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). Excessive IRRBB can pose a significant threat to a bank's current capital base and/or future earnings if not managed appropriately. The Management ALCO is responsible for managing IRRBB. Management ALCO uses the Re-pricing gap to monitor and control IRRBB and reports to Board ALCO of the Bank's overall banking book interest rate exposure

**Operational Risk:** Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events, and includes legal risk, but excludes strategic and reputational risks which are separately treated.

As guided by the Basel II Accord, Operational risk in the Bank is viewed across seven risk events: business disruption and systems failures; clients, products, and business practices; execution, delivery, and process management; external fraud; internal fraud; damage to physical assets; and employment practices and work safety. Monthly reviews of operational risk are undertaken through the Risk Management Committee.

Measurement of operational risk and its impact on capital follows the guidance of the central bank using the Standardized Approach methodology

**Concentration Risk:** Concentration risk is the risk of losses arising as a result of concentrations of exposures due to imperfect diversification. Typical situations in which risk concentrations can arise include exposures to:

- i. A single counterparty, borrower or group of connected counterparties or borrowers;
- ii. Large exposures to clients of poor credit quality;
- iii. Industry or economic sectors, including exposures to both regulated and non-regulated financial institutions;
- iv. Geographical regions;
- v. Similar collateral types or to a single or closely related credit protection provider, and other exposures arising from credit risk mitigation techniques.

The share of foreign currency loans in the Bank's credit portfolio also points to concentration risks. If the share of foreign currency loans is very high, exchange rate fluctuations can have adverse effects on the credit quality of the borrowers. If the foreign currency loans are serviced using a repayment vehicle which is heavily exposed to market risks, it indicates an additional source of risk which the Bank has to monitor accordingly.

DIS03: Overview of RWA

		Amounts inUGX (000's)		
		RWA		Minimum capital requirements
		T	31.03.2024	31.03.2024
1	Credit risk (excluding counterparty credit risk)		205,549,084	27,422,264
2	Counterparty credit risk (CCR)		1,552,800	186,336
3	Market risk		4,429,715	531,565.75
4	Operational risk		15,874,684	1,904,962.05
5	Total (1 + 2 + 3 + 4)		227,406,282	30,045,128





DIS04 – Composition of regulatory capital		Amounts in UGX(000's)
		31.03.2024
	<b>Common Equity Tier 1 capital: instruments and reserves</b>	
1	Permanent shareholders equity (issued and fully paid-up common shares)	120,000,000.00
2	Share premium	-
3	Retained earnings	18,857,639.25
4	Net after tax profits current year-to date (50% only)	3,610,836.46
5	General reserves (permanent, unencumbered and able to absorb losses) -Deferred tax	2,220,605.16
6	<b>Tier 1 capital before regulatory adjustments</b>	
	<b>Tier 1 capital: regulatory adjustments</b>	
8	Goodwill and other intangible assets	
9	Current year's losses	0
10	investments in unconsolidated financial subsidiaries	0
12	deficiencies in provisions for losses	0
14	Other deductions determined by the Central bank	0
26	Other deductions determined by the Central bank	0
28	<b>Total regulatory adjustments to Tier 1 capital</b>	
29	<b>Tier 1 capital</b>	140,247,870.55
	<b>Tier 2 capital: Supplementary capital</b>	
46	Revaluation reserves on fixed assets	-
47	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	1,990,157.01
48	Hybrid capital instruments	-

49	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	0
58	<b>Tier 2 capital</b>	142,238,027.56
59	<b>Total regulatory capital (= Tier 1 + Tier2)</b>	
60	<b>Total risk-weighted assets</b>	230,071,664
<b>Capital adequacy ratios and buffers</b>		
61	<b>Tier 1 capital (as a percentage of risk-weighted assets)</b>	60.96%
63	<b>Total capital (as a percentage of risk-weighted assets)</b>	61.82%
64	<b>Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets)</b>	
65	Of which: capital conservation buffer requirement	2.50%
66	Of which: countercyclical buffer requirement	0
67	Of which: bank specific systemic buffer requirement	0
68	<b>Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements</b>	50.08%
<b>Minimum statutory ratio requirements</b>		
70	Tier 1 capital adequacy ratio	10%
71	Total capital adequacy ratio	12%

DIS05: Asset Quality		Amounts in UGX (000's)					
		a	b	d	e	f	g
		Gross carrying values of		Provisions as per FIA2004/MDIA2003		Interest in suspense	Net
							values (FIA/MDIA)
		Defaulted exposures	Non-defaulted exposures	Specific	General		(a+b-d-e)
1	Loans and advances	1,311,078	197,989,331	262,216	1,990,157	22,492	197,025,544
2	Debt	-	-	-	-	0	-
	Securities						
3	Off-balance sheet exposures	-	-	-	-	0	-
4	<b>Total</b>	<b>1,311,078</b>	<b>197,989,331</b>	<b>262,216</b>	<b>1,990,157</b>	<b>22,492</b>	<b>197,025,544</b>

DIS06: Changes in stock of defaulted loans and debt securities		
	31.03.2024	Amounts UGX (000's)
1	<b>Defaulted loans &amp; advances, debt securities and off balance sheet exposures at end of the previous reporting period</b>	2,502,464
2	Loans and debt securities that have defaulted since the last reporting period	1,311,078
3	Returned to non-defaulted status	-
4	Amounts written off	2,364,333
5	Other changes ( recoveries)	- 138,131
6	<b>Defaulted loans &amp; advances, debt securities and off balance sheet exposures at end of the reporting period</b>	1,311,078
	(1+2-3-4+5)	

**DIS07: Qualitative disclosure on SFLs' use of external credit ratings under the standardised approach for credit risk**

The bank is not using any external credit rating agency for credit risk assessment at the moment