Bank of India (Uganda) Ltd BOI

BANK OF INDIA UGANDA LIMITED (BOIUL)

PILLAR 3 MARKET DISCIPLINE: GUIDELINES ON DISCLOSURE REQUIREMENTS

AS AT 31st MARCH 2025

Resolution- Board Risk committee Agenda By circulation No 02 Dtd 04.03.2025

Board Risk Committee Agenda by circulation, recommended by the Managing Director regarding approval of the Pillar 3 market disclosure data as of 31.03.2025 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 31.03.2025.

S.N	Name of Director	Designation	Signature
1	Dr. Wenceslaus Rama Makuza	Chairman (Independent Non-Executive Director)	
2	Solomon Rubondo	Independent Non-Executive Director	
3	Srikant Ashok Wikhe	Managing Director	

1.0 PILLAR III: MARKET DISCIPLINE DISCLOSURES – AS AT 31 MARCH 2025

1.1 INTRODUCTION

This document provides Pillar III: Market Discipline Disclosures for Bank of India (U) Limited (BOIUL)'s as at 31 March 2025. These disclosures in the report are based on the Bank of Uganda (BoU) regulatory requirements for all Supervised Financial Institutions (SFI's) as prescribed in the February 2023 Circular to all SFI's and were effective April 30, 2023. This is in line with the implementation of the revised Pillar III disclosure requirements issued by the Basel Committee on Banking Supervision (BCBS) in March 2017 or Basel III as amended from time to time. The Basel III Capital Adequacy Framework consists of three Complimentary pillars; Pillar I, Pillar II and Pillar III. Pillar III requires SFI's to publish a range of disclosures mainly covering Risk Management, Regulatory Capital, Leverage and Liquidity.

The aim of the Pillar III disclosure standards is to improve comparability and consistency of risk profiles through the introduction of harmonized templates. This will reduce information asymmetry and help to promote market discipline through these detailed disclosures.

These disclosures can be accessed on Bank of India (U) Limited's website www.boiuganda.co.ug Information provided in the published BOIUL's Annual Reports 2024, with cross reference to other publications (where information is available) may also serve to address Pillar III disclosure requirements.

BOIUL Pillar III disclosures for all the dates shown are based on fully applied amounts. It should be noted that Pillar III disclosures have not been audited by our external auditors.

For further inquiries and clarifications, you may contact BOIUL on the available communication channels.

1.2 OVERALL TREND OF COMPLIANCE WITH CAPITAL REQUIREMENTS

BOIUL continued to maintain adequate amounts of Core Capital over the last five Quarters (March 2024 to March 2025) in excess of the required 12.5% for Core Capital Ratio (inclusive of the minimum capital conservation buffer of 2.5%).This Core Capital holding enables BOIUL to absorb most of the stress scenarios and shocks, as well as support the Bank to focus on its Strategic objectives. BOIUL has a strategy for maintaining capital levels consistent with its risk profile which considers the Strategic focus, business focus and control environment.

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1.3 SUMMARY OF KEY REGULATORY METRICS

The following is the summary of the key Regulatory metrics as at March 31, 2025 relative to the minimum prudential requirements- and BOUIL was complying with all over the period.

SUMMARY OF KEY REGULATORY METRICS – AS AT 31 MARCH 2025

	Minimum	March 2025	December 2024
Core Capital (UShs Billion)	150	**175.6**	160.1
Total Risk-Weighted Assets - RWA (UShs Billion)	N/A	**263.4**	239.4
Core Capital Ratio –Minimum 10%	12.5%	**66.7%**	66.9%
Basel III Leverage Coverage Ratio	6%	**30.9%**	29.3%
Liquidity Coverage Ratio - LCR	100%	**335.1%**	354.3%
Net Stable funding Ratio – NSFR	100%	**157.7%**	439.5%

2.0 DIS01: KEY PRUDENTIAL METRICS – AS AT 31 MARCH 2025

No.	(Figures in UShs 'Billions')	Mar 2025	Dec 2024	Sep 2024	Jun 2024	Mar 2024
	Available Capital					
1	Core Capital (Tier I Capital)	**175.6**	160.1	163.2	161.4	140.2
2	Supplementary Capital (Tier II Capital)	**2.3**	2.1	2.0	2.1	2.0
3	Total Capital	**177.9**	162.2	165.2	163.4	142.2
	Risk-Weighted Assets (RWA)					
4	Total Risk-Weighted Assets (RWA)	**263.4**	239.4	254.3	250.4	240.3
	Risk-based Capital ratios as a percentage of RWA					
5	Core Capital ratio - minimum 10%	**66.7%**	66.9%	63.5%	56.0%	55.2%
6	Total Capital ratio - minimum 12%	**67.5%**	67.8%	64.3%	56.8%	56.0%
	Additional Capital buffer requirements as a percentage of RWA					
7	Capital conservation buffer requirement as per BoU (minimum 2.5%)	**2.5%**	2.5%	2.5%	2.5%	2.5%
8	Countercyclical buffer requirement as per BoU	-	-	-	-	-
9	Systemic risk buffer requirement as per BoU (for D-SIBs)	-	-	-	-	-
10	Total of Bank's specific capital buffer requirements as per BoU	**2.5%**	2.5%	2.5%	2.5%	2.5%

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11	Core Capital available after meeting the Bank's minimum capital requirements as per BoU	**64.2%**	64.4%	61.0%	53.5%	52.7%
	Basel III Leverage Ratio					
13	Total Basel III Leverage Ratio exposure measure	**552.4**	546.5	508.1	488.6	482.3
14	Basel III Leverage Ratio (= no.1/no. 13 - minimum 6%	**31.8%**	29.3%	31.8%	28.7%	27.5%
	Liquidity Coverage Ratio (LCR) (3-month average)					
15	Total High-Quality Liquid Assets (HQLA)	**42.3**	48.1	64.3	48.4	51.7
16	Total Net Cash Outflows	**12.6**	13.6	15.9	12.2	13.1
17	LCR – minimum 100%	**335.1%**	354.3%	405.4%	395.6%	394.2%
	Net Stable Funding Ratio (NSFR)					
18	Total Available Stable Funding	**321.2**	464.7	287.5	268.7	272.1
19	Total Required Stable Funding	**203.7**	263.9	87.8	86.4	85.4
20	NSFR – minimum 100%	**157.7%**	439.5%	327.6%	311.1%	318.8%

2.1 LIQUIDITY RISK

This section includes items subject to the liquidity risk exposures, including the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR provides the bank with a metric to assist it in ensuring that it holds a sufficient quantity of high-quality liquid assets to enable it withstand a short-term (30 days) bank-specific stress situation which coincides with a period of general market stress. The NSFR requires the bank to have sufficient available stable funding (ASF) to meet the required stable funding (RSF) over a period of one year and above.

2.1.1 Liquidity Coverage Ratio (LCR)

In the DIS01 Table above, the LCR is disclosed as a 3-month average value per quarter. The total of the high-quality liquid assets (row No. 15) decreased in the first quarter (Q1) of 2025 compared to the previous quarter (Q4) of 2024. In addition, the total Net cash outflows (row No. 16) slightly decreased in the first quarter of 2025 as compared to the previous quarter of 2024. The changes resulted in a lower LCR in Q1 2025, which stood at 335.1%, than in Q4 2024 that was at 354.3%; both of which were significantly above the Regulatory required minimum ratio of 100% and risk tolerances defined internally.

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2.1.2 Net stable Funding Ratio (NSFR)

In the DIS01 table above, the NSFR is disclosed as a quarter-end data as at 31 March 2025 and 31 December 2024. The total Available Stable Funding items (row No. 18) decreased in the first quarter of 2025 compared to the previous quarter of 2024, primarily driven by decrease in fixed deposits and other placements with our Nostro banks and from our Corporate customers despite an increase in demand/current and savings deposits from our retail and small business customers. In the same way, the total required stable funding (row No. 19) practically decreased over the same period due to decreases in performing loans despite a slight decrease in HQLA (row No. 15 and basically unchanged maturity profiles of both on- and off-balance sheet exposures. The changes resulted in a lower NSFR as at 31 March 2025 of 157.7% compared to 439.5% as at 31 December 2024; both of which were significantly above the Regulatory required minimum ratio of 100% and risk tolerances defined internally.

3.0 DIS02: RISK MANAGEMENT APPROACH

Risk Management constitutes an integral part of the bank's business framework. The overview approach to Risk Management Framework is catered for in the internal bank policies which are reviewed regularly. This is disclosed in the Annual Audited books of the bank. Key areas included are comment on Risk Management-Risk Management Framework and Risk Tolerance Limits; Risk Governance; channels to communication, presentation and enforcement of the risk norms-Risk Culture; scope and main features of risk measurement systems-Risk Tolerance; process of risk information reporting-Risk Reporting; qualitative information on stress testing-Capital Planning and Liquidity Contingency Plan; and strategies and processes to identify, manage, capture and mitigate risk-Risk Management and the three Lines of Defence. When done right, Risk Management does play a pivotal role in the bank. When done properly, it can add value across so many different areas from customer acquisition, to client acquisition, operational risk, fraud risk, cyber risk, etc.; basically every part of the bank.

4.0 DIS03: OVERVIEW OF RISK-WEIGHTED ASSETS (RWA) – AS AT 31 MARCH 2025

4.1 APPROACH TO MEASURING RISK-WEIGHTED ASSETS

The Bank's Risk-Weighted Assets for deriving the Regulatory Capital are calculated according to the Basel III framework, as required by the Bank of Uganda (BoU). Below follows an overview of the approaches used for the main risk categories to derive the required Capital:

- **Credit risk** (defined as the risk of loss of principal or loss of a financial reward stemming from the borrower's failure to repay a loan or otherwise meet a contractual obligation (default)) including non-counterparty risk but excluding counterparty credit risk): To calculate the required capital for credit risk, the bank uses the Standardised Approach subject to BoU-Regulatory Standard haircuts.

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- **Non-counterparty-related risk** (defined as loss in value on bank premises or equipment): The bank applies prescribed BoU-Regulatory risk weights to calculate the required Capital.
- **Counterparty credit risk** (defined as the risk of default of a counterparty before the final settlement of a derivative or securities financing transaction: The bank calculates the credit equivalents for the derivatives/securities financing to calculate the required Capital for counterparty credit risk using the Standardised Approach for counterparty credit risk.
- **Market risk** (defined as the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets (that could arise from trading positions)): The bank calculates the capital requirements for market risks according to the Model-based approach as approved by BoU. For funds held in the trading book, the required capital is calculated according the simplified approach for investments in managed collective assets. For default risk of fixed income trading positions as well as off-balance sheet items, the required capital is calculated according to the market risk Standardised Approach as defined by BoU.
- **Operational risk** (defined as risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events): The bank applies the Standardized Approach as defined by BoU.

4.2 OVERVIEW OF RISK-WEIGHTED ASSETS (RWA)

The following Table (DIS03) provides an overview of the Risk-weighted assets (RWA) and the related minimum capital requirement by risk type. The Capital requirements presented in the Table are calculated based on capital of 12% (as required by BoU) as at 31 March 2025.

As seen from the Table DIS03, the explanation given for the movement between reporting period 31 March 2025 and 31 December 2024: increase in RWA was primarily due to higher credit risk RWA due to increase on Term Loans (No.1) and Guarantees, Unused Overdrafts and Letters of credit lending (part of the key lending products offered by the Bank); partially offset by a decrease in Treasury/Market portfolio trading positions (as evidenced by net short positions of UGX 6.3 Billion as at 31 March 2025).

DIS03: OVERVIEW OF RISK-WEIGHTED ASSETS – AS AT 31 MARCH 2025

No.			Mar 2025	Dec 2024	Mar 2025
		(Figures in **UShs 'Billions'**)	**RWA**	RWA	Minimum Capital Requirement
1		Credit Risk (excluding Counterparty Credit Risk (CCR)) - *Standardised approach*	**239.2**	248.8	**28.7**
2		Counterparty Credit risk - *standardised approach (CCR)*	**0.0**	0.0	**0.0**
3		Market Risk -*Standardised approach*	**6.3**	6.3	**0.8**

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4		Operational Risk -*Standardised approach*	**17.9**	17.4	**2.2**
5		Total (1+2+3+4)	**263.4**	272.6	**31.7**

5.0 DIS04: COMPOSITION OF REGULATORY CAPITAL – AS AT 31 MARCH 2025

No.[2]	Figures in UShs 'Billions')	Mar 2024[1]
	Common Equity Tier 1 Capital (T1): Instruments and reserves	
1	Permanent Shareholders Equity (issued and fully paid-up capital in form of common shares, fully eligible)	150.0
2	Share Premium	0.0
3	Retained Earnings (prior years' retained profits)	23.5
4	Net after-tax profits current year-to-date(50% only)	2.1
5	General reserves (permanent, unencumbered and able to absorb losses)	0.0
6	**Common Equity Tier 1 Capital (T1) before regulatory adjustments[3]**	**175.6**
	Regulatory adjustments to Common Equity Tier 1 Capital (T1)	
8	Good will and other intangible assets (net of related deferred tax liabilities)	0.0
9	Current year's losses	0.0
10	Investments in unconsolidated financial subsidiaries	0.0
12	Deficiencies in provisions for losses (gains or losses due to changes in own credit risk)	0.0
13	Other deductions determined by BoU-the Regulator (e.g. prohibited loans to insiders, etc.)[4]	0.0
14	Deferred tax assets (e.g. planned dividend for the financial year that rely on future profitability)	0.4
15	**Total regulatory adjustments to Common Equity Tier 1 Capital**	**0.4**
16	**Net Tier 1 Capital (T1)**	**175.2**
	Tier 2 Capital: Supplementary Capital (T2)	
17	Revaluation reserves on fixed assets	0.0
18	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	2.3
19	Hybrid capital instruments	0.0
20	Subordinated term debt (not to exceed 50% of Core Capital; subject to a discount factor)	0.0
21	**Tier 2 Capital (T2)**	**2.3**
22	**Total Regulatory Capital (=Tier 1 (T1) + Tier 2 (T2))**	**177.9**
23	**Total Risk-weighted assets (RWA)**	**263.4**
	Capital Adequacy Ratios and Buffers	
24	Tier 1 Capital (No. 16 as a percentage of Risk-weighted Assets)	66.7%

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25	Tier 2 Capital (No. 22 as a percentage of Risk-weighted Assets)	67.5%
26	**Total bank-specific buffer requirements (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer as a percentage of Risk-weighted Assets)**	**2.5%**
27	*of which capital conservation buffer requirement*	2.5%
28	*of which countercyclical capital buffer requirement*	0.0%
29	*of which bank specific systemic risk buffer requirement*	0.0%
30	Tier 2 Capital available to meet the buffer requirements, after deduction of T1 to cover the bank's minimum capital requirements (as a percentage of Risk-weighted Assets)	53.0%
	Minimum Statutory Ratio requirements	
31	Tier 1 Capital Adequacy Ratio	**10.0%**
32	Tier 2 Capital Adequacy Ratio	**12.0%**

Notes

1. For reconciliation of bank Regulatory Capital amounts, the figures used for the calculation of Regulatory Capital Adequacy amounts are identical to the annual published balance sheet positions (which have been referenced where relevant to display all components that are disclosed in the Table as shown in under 'DIS04: Composition of Regulatory Capital).
2. Row numbers are assigned according to the sample table as supplied by BoU-the Regulator.
3. Capital before Regulatory adjustments refers to Capital before deduction of ineligible non-controlling interests and other deductions that the Regulator requires to be excluded from Tier 1 Capital.
4. Other deductions e.g., intangible assets are net of deferred tax liabilities.

6.0 DIS05: CREDIT QUALITY OF ASSETS – AS AT 31 MARCH 2025

6.1 CREDIT RISK

This section includes items subject to the Bank of Uganda (BoU)/Regulatory credit risk framework under the Standardized Approach. The BoU categories loans and advances and debt securities as referred to in Tables DIS05 and DIS06 are shown in accordance with those BoU requirements. The net value of BoU category loans and advances comprises the following IFRS balances to the extent that they are subject to the credit risk framework: Loans, unused overdrafts and other financial assets designated at fair (excluding non-loan positions) values. The net values of BoU category debt securities includes the following positions: Bonds, money market instruments, and other fixed-income securities included within financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI) and financial assets measured at Amortised Cost plus debt securities in financial assets measured at Fair Value Through Profit and Loss (FVTPL) allocated to the credit risk framework. The section 'Credit risk' is structured into two subsections:

6.1.1 Credit Quality of Assets

This subsection includes information on the Bank's credit risk exposures and credit quality of assets. Additional quantitative disclosures related to credit quality of assets with breakdowns of exposures by sectors, and residual maturity are disclosed separately in reports to the Regulator and are outside the scope of this disclosure.

6.1.2 Changes in Stock of Defaulted Loans and Debt Securities

This subsection provides a qualitative reference to disclosure on defaulted loans evaluation and management. This is through credit risk management, i.e. techniques employed to reduce credit risk for loans and securities (collateral evaluation and management, information about credit risk concentrations and credit risk mitigation instruments used by the clients). The disclosure gives the scope of 'past due' and impaired loans used for accounting purposes and any differences with respect to 'past due' and 'defaulted' (Expected Credit Losses (ECL)) for Regulatory purposes. The extent of past due exposures (more than 90 days) that are not considered to be impaired (ECL stage allocation) and methods used for impairments have reasons given in accompanying notes to published Annual Financial Statements. This subsection also includes ageing analysis of accounting past due exposures.

Any credit facility requiring restructuring is assessed on an individual basis and individual provisions are booked if required. The main goal of such restructuring actions is to avoid the client's default and to minimize the loss potential for the Bank. Typical terms and conditions offered in case of restructuring may be postponed payments of interest or principal, adjusted interest rates or the modification of the repayment schedule. Any facility which is in a restructuring process is classified as impaired and provisions are made to cover foregone interest and potential losses. Special conditions granted to clients without need to preserve them from default are not considered as restructuring measures.

6.1.3 Credit risk under the Standardized Approach

The Standardised Approach allows (if possible) banks to use risk-based assessments prepared by External Credit Assessment Institutions (ECAI) or expert credit agencies to determine the risk weight for certain counterparties according to the BoU/Regulator-defined exposure segments. This subsection includes information on the use of External Credit Assessment Institutions (ECAI) to determine the risk weightings applied to related counterparties.

The Tables DIS05 and DIS06 below provide a breakdown of defaulted and non-defaulted loans, debt securities, and off-balance sheet exposures.

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7.0 DIS05: CREDIT QUALITY OF ASSETS – AS AT 31 MARCH 2025

No	Figures in **UShs 'Billions')**	**December 2024**					
		a	**b**	**d**	**e**	**f**	**g**
		Gross carrying values		**Value adjustments /Provisions as per FIA 2004**		**Interest in suspense**	**Net Values (FIA 2004)**
	Exposure classes	**Defaulted exposures**	**Non-defaulted exposures**	**Specific**	**General**	**suspense**	**(a+b -d-e)**
1	Loans and advances (excluding debt securities)	0.6	234.9	0.6	2.3	0.0	232.6
2	Debt securities	0	0	0	0	0	0
3	Off-balance sheet exposures	0	0	0	0	0	0
4	**Total**	**0.6**	**234.9**	**0.6**	**2.3**	**0.0**	**232.6**

As at 31 March 2025, the non-defaulted exposures amounted to Uganda Shillings (UShs) 234.9 Billion which was equivalent to 99.7% of the gross exposures, reflecting relatively good and stable credit asset quality in our post COVID-19 business environment.

8.0 DIS06: CHANGES IN STOCK OF DEFAULTED LOANS AND DEBIT SECURITIES – AS AT 31 MARCH 2025

No.	Figures in **UShs 'Billions')**	**Mar 2025**	Dec 2024
1	**Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the previous reporting period**	**1.8**	**1.6**
2	Loans and debt securities that have defaulted since the last reporting period	**0.0**	**0.2**
3	Returned to no-defaulted status	**0.0**	**0.0**
4	Amounts written-off	**0.0**	**0.0**
5	Other changes (recoveries)	**1.2**	**0.0**
6	**Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the reporting period** (1+2-3-4+5)	**0.6**	**1.8**

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The defaulted exposures position as at 31 March 2025 slightly changed as seen from Table DIS06 above. This was because the value of Doubtful loan category greatly decreased by 66.7% to UGX 0.6 Billion in March 2025 from UGX 1.8Bn recorded in the previous quarter ended 31 December 2024.

9.0 DIS07: QUALITATIVE DISCLOSURE ON FI's USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK – AS AT 31 MARCH 2025

The bank is not currently using any External Credit Assessment Institution (ECAI) for credit risk assessment under the Standardised Approach for Credit risk until the Regulator recommends the list of vetted companies acceptable to do the job. However, internally, the credit rating score for "Unrated" is used in the meantime to close the gap.