



**BANK OF AFRICA**

BMCE GROUP



# **Pillar 3 Market Discipline**

Disclosures as at June 30, 2023

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## INTRODUCTION

In this report is the Bank of Africa Uganda Limited disclosures in accordance with the Bank of Uganda Pillar 3 Market Discipline: Guidelines on Disclosure Requirements as of June 2023.

The information in this report has not been reviewed nor reported on by our external auditors. All amounts are in shilling thousands unless otherwise stated.

## KEY PRUDENTIAL METRICS

The table below provides an overview for the bank's prudential statutory metrics.

	Amounts Ushs' 000	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
<b>Available capital (amounts)</b>						
1	Core capital	156,756,316	153,444,764	150,273,853	141,101,775	138,510,000
2	Supplementary capital	1,341,325	1,341,325	4,859,000	7,024,181	7,024,181
3	Total capital	158,097,641	154,786,089	155,132,853	148,125,957	145,534,181
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	715,720,478	744,980,141	730,537,000	741,015,615	703,007,000
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Core capital ratio (%)	21.90%	20.60%	20.57%	19.04%	20%
6	Total capital ratio (%)	22.09%	20.78%	21.24%	19.99%	21%
<b>Capital buffer requirements as a percentage of RWA</b>						
7	Capital conservation buffer requirement (2.5%)	2.5%	2.5%	2.5%	2.5%	2.5%
8	Countercyclical buffer requirement (%)	-	-	-	-	-
9	Systemic buffer (for DSIBs) (%)	-	-	-	-	-
10	Total of capital buffer requirements (%) (row 7 + row 8 + row 9)	2.5%	2.5%	2.5%	2.5%	2.5%
11	Core capital available after meeting the bank's minimum capital requirements (%)	6.90%	5.60%	4.92%	4.04%	3.6%
<b>Basel III leverage ratio</b>						
13	Total Basel III leverage ratio exposure measure	1,362,481,651	1,358,175,132	1,365,501,508	1,386,210,345	1,359,676,442
14	Basel III leverage ratio (%) (row 1 / row 13)	11.51%	11.30%	11.01%	10.18%	10.19%
<b>Liquidity Coverage Ratio</b>						
15	Total high-quality liquid assets (HQLA)	121,414,850	123,953,123	193,766,555	211,834,383	148,537,203
16	Total net cash outflow	33,849,889	26,534,410	72,018,128	112,723,132	56,891,499
17	LCR (%)	359%	467%	269%	188%	261%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	719,548,316	713,999,659	686,010,422	707,459,427	708,131,825
19	Total required stable funding	337,603,414	310,367,845	291,182,247	321,857,790	331,886,104
20	NSFR	213%	230%	236%	220%	213%

The Core Capital available after meeting the bank's minimum capital requirements has slightly increased over the periods due to increasing profits earned by the bank given the minimum paid-up capital requirement by the Bank of Uganda increased from Ushs. 25 bn to Ushs. 120 bn in December 2022.

## OVERVIEW OF RWA

The table below shows the risk weighted assets held by the bank as at June 23 and March 2023.

		a	b	c
		RWA		Minimum capital requirements
		Jun-23	Mar-23	Jun-23
1	Credit risk (excluding counterparty credit risk)	604,024,171	707,626,442	72,482,901
2	Counterparty credit risk (CCR)	-	-	-
3	Market risk	5,055,164	10,341,656	606,620
4	Operational risk	106,641,143	27,012,044	12,796,937
5	<b>Total (1 + 2 + 3 + 4)</b>	<b>715,720,478</b>	<b>744,980,141</b>	<b>85,886,457</b>

Reduction in the risk-weighted assets over the quarter by Ushs. 29 billion was mainly due to repayments on loans extended to our corporate customers. There was also a reduction in the market risk-weighted assets due to a reduction in the net long position held by the bank at the end of the quarter.

## COMPOSITION OF REGULATORY CAPITAL

The table below provides an overview for the bank's prudential statutory metrics.

	Amounts Ushs' 000	Jun-23	Dec-22
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Permanent shareholders equity (issued and fully paid-up common shares)	150,000,000	150,000,000
2	Share premium	-	-
3	Retained earnings	14,708,767	14,708,767
4	Net after tax profits current year-to date (50% only)	5,818,995	-
5	General reserves (permanent, unencumbered and able to absorb losses)	-	-
6	<b>Tier 1 capital before regulatory adjustments</b>	<b>170,527,762</b>	<b>164,708,767</b>
<b>Tier 1 capital: regulatory adjustments</b>			
8	Goodwill and other intangible assets	(3,699,652)	(4,363,119)
9	Current year's losses	-	-
10	Investments in unconsolidated financial subsidiaries	-	-
12	Deficiencies in provisions for losses	-	-
14	Other deductions determined by the Central bank	(10,071,794)	(10,071,794)
26	Other deductions determined by the Central bank	-	-
28	<b>Total regulatory adjustments to Tier 1 capital</b>	<b>(13,771,446)</b>	<b>(14,434,914)</b>
29	<b>Tier 1 capital</b>	<b>156,756,316</b>	<b>150,273,853</b>
<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)	1,341,325	4,859,000
48	Hybrid capital instruments	-	-
49	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	-	-
58	<b>Tier 2 capital</b>	<b>1,341,325</b>	<b>4,859,000</b>
59	<b>Total regulatory capital (= Tier 1 + Tier2)</b>	<b>158,097,641</b>	<b>155,132,853</b>
60	<b>Total risk-weighted assets</b>	<b>715,720,478</b>	<b>730,537,000</b>
<b>Capital adequacy ratios and buffers</b>			
61	<b>Tier 1 capital (as a percentage of risk-weighted assets)</b>	21.90%	20.57%
63	<b>Total capital (as a percentage of risk-weighted assets)</b>	22.10%	21.24%

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>	2.50%	2.50%
65	Of which: capital conservation buffer requirement	2.50%	2.50%
66	Of which: countercyclical buffer requirement	-	-
67	Of which: bank specific systemic buffer requirement	-	-
68	<b>Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements</b>	6.90%	5.57%
	<b>Minimum statutory ratio requirements</b>		
70	Tier 1 capital adequacy ratio	12.5%	12.5%
71	Total capital adequacy ratio	14.5%	14.5%

The bank is within the regulatory limits and has adequate capital to remain in operation.

## ASSET QUALITY

The credit quality of the Bank's on- and off-balance sheet assets is reflected below through the disclosure of the gross carrying values of both defaulted and non-defaulted exposures as well as provisions and interest in suspense.

		a	b	d	e	f	g
		Gross carrying values of		Provisions as per FIA2004/ MDIA2003		Interest in suspense	Net values (FIA/MDIA) (a+b-d-e)
		Defaulted exposures	Non-defaulted exposures	Specific	General		
1	Loans and advances	57,731,836	424,551,527	(21,438,655)	(4,430,643)	(2,000,089)	454,413,976
2	Debt Securities	-	-	-	-	-	-
3	Off-balance sheet exposures	-	262,247,750	-	-	-	262,247,750
4	<b>Total</b>	<b>57,731,836</b>	<b>686,799,277</b>	<b>(21,438,655)</b>	<b>(4,430,643)</b>	<b>(2,000,089)</b>	<b>716,661,726</b>

The bank's non-performing portfolio stood at 11.97% as at June 2023.

## CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

The table below presents the movement in the balance of defaulted exposures between December 2022 and June 2023.

		a
1	Defaulted loans & advances, debt securities and off balance sheet exposures at end of the previous reporting period	51,134,000
2	Loans and debt securities that have defaulted since the last reporting period	11,334,936
3	Returned to non-defaulted status	3,565,495
4	Amounts written off	1,171,605
5	Other changes	-
6	Defaulted loans & advances, debt securities and off balance sheet exposures at end of the reporting period (1+2-3-4+5)	57,731,836

The increase in defaulted exposures position of June 2023 was due to several factors affecting our customers such as delays in government payments to contractors. Engagements also continue with both written-off and defaulted customers to make recoveries.

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