

Pillar 3 Risk Management Report For period ended September 30, 2023.

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Introduction

The Bank is incorporated in Uganda under the Companies Act of Uganda, 2012 and is licensed to transact commercial banking business under the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016.

Risk taking is central to banking business. The Bank evaluates business opportunities in terms of the risk – reward relationship. The risks that the Bank takes are reasonable, controlled and within its financial resources and risk mandates. The diversity of the Bank’s business requires the Bank to identify, measure and manage associated risks effectively. The risks are managed through a Risk Management Framework that enables process monitoring and is closely aligned with the activities of the Bank and in line with the guidelines given by Bank of Uganda.

The Board of Directors has the overall and ultimate responsibility for risk management in UBA Uganda. The Board comprises of eight (8) directors, all contributing wide range of skills and experience to the Bank. The directors comprise of an independent non - executive chairperson, a Managing Director/ Chief Executive Officer, Executive Director – Business, four (4) independent non-executive directors and a non-executive director who is the Regional Chief Executive Officer in charge of UBA East & Southern Africa (ESA) Region.

The Board carries out its responsibility through its standing committees. These are; Board Audit Committee (BAC), Board Risk Management Committee (BRMC), Board Finance and Compensation Committee (BFCC), Board Assets and Liabilities Committee (ALCO) and the Board Credit Committee (BCC).

The Board of Directors has delegated its powers and authority to the Senior Management of the Bank through the various management committees which are responsible for ensuring compliance with the overall Risk Management Framework through a dedicated Risk Management Committee which provides regular updates to Executive Management and the Board on the risk profile of the Bank. The Board is responsible and approves the Risk Appetite of the Bank.

The Pillar 3 Risk Management Report

The Pillar 3 Risk Management Report provides a quarterly overview of the Bank’s Risk Management Framework, Regulatory Capital Profile and overview of the Risk Weighted Assets as at the end of the reporting period. The report is in line with Bank of Uganda guidelines on Pillar 3 disclosures as stipulated in the Internal Capital Adequacy Process and Pillar 3 Market Discipline Disclosure Requirements.

The report has been reviewed by Executive Management Committee and approved by the Board. The Board has reviewed the capital adequacy position of the Bank and its Risk Management Framework and has deemed it appropriate to support the strategic aspirations of the Bank in the short and medium term. The Bank is adequately capitalised as at September 30, 2023. The information contained in this report is **unaudited**.

Certification of Pillar 3 Market Discipline Disclosure Report.

The Board confirms that the Pillar 3 Market Discipline Disclosure Report for period ending September 30, 2023 has been prepared in accordance with guidelines established by Bank of Uganda and in accordance with established agreed internal control processes.


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Chioma A. Mang
Managing Director/CEO


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Mustapha Kigozi Ssebagala
Board Chairman

Key Prudential Metrics

The table below summarises an overview of the Bank's prudential regulatory metrics. The reported amount is in UGX 000s

		a	b	c	d	e
		September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
	Available capital (amounts)					
1	Core capital	134,133,232	131,903,238	130,256,728	129,871,555	63,852,582
2	Supplementary capital	1,058,480	1,240,853	1,043,388	883,937	1,026,563
3	Total capital	135,191,712	133,144,091	131,300,116	130,755,492	64,879,145
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	417,654,654	435,522,908	405,766,562	327,353,644	356,050,129
	Risk-based capital ratios as a percentage of RWA					
5	Core capital ratio (%)	32.1%	30.3%	32.1%	39.7%	17.9%
6	Total capital ratio (%)	32.4%	30.6%	32.4%	39.9%	18.2%
	Capital buffer requirements as a percentage of RWA					
7	Capital conservation buffer requirement (2.5%)	10,441,366	10,888,073	10,144,164	8,183,841	8,901,253
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)	10,441,366	10,888,073	10,144,164	8,183,841	8,901,253
11	Core capital available after meeting the bank's minimum capital requirements (%)	17.9%	16.1%	17.9%	25.4%	3.7%
	Basel III leverage ratio					
12	Total Basel III leverage ratio exposure measure	782,135,176	771,607,518	717,242,604	617,733,777	690,612,601
13	Basel III leverage ratio (%) (row 1 / row 13)	17%	17%	18%	21%	9%
	Liquidity Coverage Ratio (LCR)					
14	Total high-quality liquid assets (HQLA)	116,721,588	68,795,280	94,245,048	101,034,856	86,458,651
15	Total net cash outflow	41,337,441	45,118,763	32,506,749	79,065,091	124,137,198
16	Liquidity Coverage Ratio (%)	282.4%	152.5%	289.9%	127.8%	69.6%
	Net Stable Funding Ratio (NSFR)					
18	Total available stable funding	469,683,357	418,501,488	429,277,711	375,523,641	367,835,270
19	Total required stable funding	120,009,083	129,934,007	131,768,739	100,625,395	123,065,494
20	Net Stable Funding Ratio (%)	391.37%	322.09%	325.78%	373.19%	298.89%

The movement in Core capital available after meeting the Bank's minimum capital requirements for December 2022 versus September 2022 was due to change in regulatory capital regulations which increased minimum capital unimpaired by losses to UGX120bn.

Overview of Risk Weighted Assets

The table below provides an overview of the Bank's Risk Weighted Assets. The reported amount is in UGX 000s.

		a	b	c
		RWA		Minimum capital requirements
		September 30, 2023	June 30, 2023	March 31, 2023
1	Credit risk (excluding counterparty credit risk)	395,622,836	389,292,048	379,565,864
2	Counterparty credit risk (CCR)	0.00	0.00	0.00
3	Market risk	5,147,220.30	29,150,720.42	17,814,586.21
4	Operational risk	16,884,597.78	17,080,139.37	8,386,111.59
5	Total (1 + 2 + 3 + 4)	417,654,654	435,522,908	405,766,562

*Counter Party Credit Risk. The Bank did not hold any derivative assets balances as at the end of each reporting period.

Composition of regulatory capital

The table below provides a breakdown of the Capital elements of the Bank for period ending September 30, 2023

	Common Equity Tier 1 capital: instruments and reserves	Amounts in UGX 000
1	Permanent shareholders equity (issued and fully paid-up common shares)	206,718,556
2	Share premium	0.0
3	Retained earnings	(77,182,581)
4	Net after tax profits current year-to date (50% only)	3,001,082
5	General reserves (permanent, unencumbered and able to absorb losses)	0.0
6	Tier 1 capital before regulatory adjustments	0.0
	Tier 1 capital: regulatory adjustments	132,537,057
8	Goodwill and other intangible assets	633,819
9	Current year's losses	0.0
10	investments in unconsolidated financial subsidiaries	0.0
12	deficiencies in provisions for losses	0.0
14	Other deductions determined by the Central bank	0.0
26	Other deductions determined by the Central bank	0.0
28	Total regulatory adjustments to Tier 1 capital	633,819
29	Tier 1 capital	131,903,238
	Tier 2 capital: Supplementary capital	
46	Revaluation reserves on fixed assets	0.0
47	<i>Unencumbered general provisions for losses (not to exceed 1.25% of RWA)</i>	1,240,853
48	Hybrid capital instruments	0.0
49	<i>Subordinated debt (not to exceed 50% of core capital subject to a discount factor)</i>	0.0
58	Tier 2 capital	1,240,853
59	Total regulatory capital (= Tier 1 + Tier 2)	133,144,091
60	Total risk-weighted assets	435,522,908.12
	Capital adequacy ratios and buffers	

Common Equity Tier 1 capital: instruments and reserves		Amounts in UGX 000
61	Tier 1 capital (as a percentage of risk-weighted assets)	30%
63	Total capital (as a percentage of risk-weighted assets)	31%
64	Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets)	2.5%
65	Of which: capital conservation buffer requirement	10,888,072.70
66	Of which: countercyclical buffer requirement	0.0
67	Of which: bank specific systemic buffer requirement	0.0
68	Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	30.3%
Minimum statutory ratio requirements		
70	Tier 1 capital adequacy ratio	10%
71	Total capital adequacy ratio	12%

Changes in stock of defaulted loans and debt securities

The table below shows the stock of defaulted loans and debt securities for period ending September 30, 2023

		Amount in UGX 000
1	Defaulted loans & advances, debt securities and off balance sheet exposures at end of the previous reporting period	1,029,871
2	Loans and debt securities that have defaulted since the last reporting period	405,155
3	Returned to non-defaulted status	46,658
4	Amounts written off	0.0
5	Other changes	(106,875)
6	Defaulted loans & advances, debt securities and off balance sheet exposures at end of the reporting period (1+2-3-4+5)	1,281,494

*Other changes relate to repayments of loans that were previously in default

Asset Quality

The table below provides a comprehensive picture of the credit quality for both on- and off-balance sheet assets for period ending September 30, 2023 in UGX 000s

		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	11,270,820	113,451,888	567,733.00	1,240,853.00	69,634	122,914,122
2	Debt Securities	0.0	223,131,979	0.0	0.0	0.0	223,131,979
3	Off-balance sheet exposures	0.0	209,123,010	0.0	0.0	0.0	209,123,010
4	Total	11,270,820	545,706,877	567,733	1,240,853	69,634	555,169,111

Qualitative disclosure on SFIs' use of external credit ratings under the standardised approach for credit risk

UBA Uganda Limited uses Moody as External Credit Assessment Institution and applies Analytics credit lens as a qualitative assessment tool to conduct credit risk assessments using the Standardized Approach model to Credit Risk. Moody's analytics is applied to the Banks market segments of Corporate, Commercial and SMEs to assess Credit risk ratings for loans and advance, Contingents (Off balance sheet items). The tool uses submitted audited financial statements for each obligor to arrive at financial spreads and qualitative data which is used to generate risk grading and scores that inform our lending decisions. The risk spreads are as summarized below;

Description	Rating Bucket	Rating Bucket	Rating Bucket	Risk Range
Extremely Low Risk	AAA	1.0 - 1.99	90% - 100%	Low Risk Range
Very Low Risk	AA	2.00 - 2.99	80% - 89%	
Low Risk	A	3.00 - 3.99	70% - 79%	
Acceptable Risk	BBB	4.00 - 4.99	60% - 69%	Acceptable Risk Range
Moderately High Risk	BB	5.00 - 5.99	50% - 59%	
High Risk	B	6.00 - 6.99	40% - 49%	High Risk Range
Very High Risk	CCC	7.00 - 7.99	30% - 39%	
Extremely High Risk	CC	8.00 - 8.99	0% - 29%	Unacceptable Risk Range
High likelihood of Default	C	9.00 - 9.99		
Default	D	Above 9.99		
Unrated portfolio				

*The results of the credit assessments are used to inform our lending decisions in the Corporate and Commercial space as well as selected SME transactions.



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UBA is regulated by the Bank of Uganda and customer deposits are protected by the Deposit Protection Fund.