



ABC CAPITAL BANK LIMITED

**BASEL II - PILLAR III - MARKET DISCIPLINE DISCLOSURE
FOR THE PERIOD ENDED 31 DECEMBER 2024**

Introduction

Pillar III of the Basel framework aims to promote market discipline through regulatory disclosure requirements. These requirements enable the market participants to access key information relating to Supervised Financial Institution regulatory capital and risk exposures to increase transparency and confidence about a Supervised Financial Institution exposure to risk and the overall adequacy of its regulatory capital.

This Report is intended to fulfill the reporting requirements of Pillar III for ABC Capital Bank Limited in accordance with Bank of Uganda Market disclosure guidelines.

DIS01: Key Prudential Metrics

| | | Dec-24 | Sep-24 |
|----|--|------------|------------|
| | Available capital (amounts) | Ushs 000 | Ushs 000 |
| 1 | Core capital | 30,444,276 | 30,316,674 |
| 2 | Supplementary capital | 206,747 | 181,509 |
| 3 | Total capital | 30,651,023 | 30,498,183 |
| | Risk-weighted assets (amounts) | | |
| 4 | Total risk-weighted assets (RWA) | 39,833,948 | 39,848,392 |
| | Risk-based capital ratios as a percentage of RWA | | |
| 5 | Core capital ratio (%) | 76% | 76% |
| 6 | Total capital ratio (%) | 77% | 77% |
| | Capital buffer requirements as a percentage of RWA | | |
| 7 | Capital conservation buffer requirement (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% |
| 11 | Core capital available after meeting the bank's minimum capital requirements (%) | 64% | 64% |
| | Basel III leverage ratio | | |
| 13 | Total Basel III leverage ratio exposure measure | 60,543,629 | 60,637,820 |
| 14 | Basel III leverage ratio (%) (row 1 / row 13) | 50% | 50% |
| | Liquidity Coverage Ratio | | |
| 15 | Total high-quality liquid assets (HQLA) | 7,835,540 | 6,099,391 |
| 16 | Total net cash outflow | 2,407,967 | 4,264,812 |
| 17 | LCR (%) | 325% | 143% |
| | Net Stable Funding Ratio | | |
| 18 | Total available stable funding | 44,893,553 | 45,394,222 |
| 19 | Total required stable funding | 13,278,613 | 11,437,651 |
| 20 | NSFR | 338% | 397% |

DIS02: Risk management approach

The risk governance structure

The Bank has in place risk management objectives and a well-established risk strategy, delivered through our core risk management processes.

Our approach to managing risk is outlined in the enterprise risk management framework as per the risk management guidelines.

They define our risk management process and sets out the activities, tools, techniques and organizational arrangements to ensure that all our material risks are identified, measured, managed and mitigated.

The framework defines the principal risks, the key roles and responsibilities of principal and key risk owners, as well as related governance requirements.

Channels to communicate, decline and enforce the risk culture within the Bank.

The Bank has in place policies and procedures for each line of business element as point of reference while executing their actions. The Bank also set internal tolerance levels for its risk appetite statement which are keenly monitored and breach of which are discussed through the (RMC) risk management committee on a monthly and quarterly reported to the Board through BRC.

The process of risk information reporting provided to the board and senior management, the scope and main content of reporting on risk exposure.

Through the Risk management committee meetings (RMC) each month, all the risk information in terms of identification, assessment, migrations, monitoring and reporting are done through the Risk manager during RMC. Attention is brought to Management on the level and trend of the risks showing those that are material and may pose a threat to the business for management action. The same are also brought to the attention of the Board each quarter.

stress testing

The Bank has a stress testing framework which gives guidance on the different assumptions and scenarios that would pose a threat to the Bank's business lines if the risk exposures materialized. Under the Credit risk stress testing, we do stress the portfolio of the Top largest borrower, the Top three borrowers, the Top 20 borrowers and the exposure in foreign currency at the extremes of becoming NPA and the impact on capital. Also we do stress on the market risk, Liquidity risk, Strategic risk and operations risks which are currently the material risks that the Bank is faced with. The Bank also does keep monitoring all other risks though they may not be material enough to cause a threat to its business activities

DIS02: Risk management approach

The strategies and processes to manage, hedge and mitigate risks that arise from ABC Capital Bank' business model and the processes for monitoring the continuing effectiveness of hedges and mitigates

At Senior Management Level, the following committees are in place to manage risk: The first line of defense are the risk owners, Risk & compliance as the second line of defense. Risk does identify, measure, control, report and monitors the risks on an enterprise wise basis. Internal audit, offers independent oversight as the third line of defense

Risk Management Committee (RMC) - This committee reviews the bank's risk profile from an enterprise wide view point. At this forum, Bank risk status, industry trends, regulatory developments are discussed and suitable decisions are taken. Matters beyond the authority of this committee are forwarded to BRC for further discussion and consideration.

Management Committee (MANCO) - This committee comprises of Branch Heads and Head of Operations the Risk manager also attends this committee as part of managing operational risk – At this committee forum, matters pertaining to operational risk exposure emanating from People, Systems and Processes, inadequacy of Internal policies and procedures, Regulatory matters and External events are discussed and suitable decision are taken.

The Management Credit Committee (MCC) - At this committee forum, matters pertaining to quality of bank's loan book, its size (growth), new credit proposals are discussed and appropriate decisions are taken. Decisions that exceed the authority of this committee are forwarded to BCC for further deliberation and conclusion.

Management Asset and Liability Committee (ALCO) – this committee collectively manages the bank's liquidity portfolio and market risk exposures where the impact in the movement of Interest rates and Foreign Exchange rates are discussed and appropriate decisions are taken. Decisions that exceed the authority of this committee are forwarded to BALCO for further deliberation and conclusion.

The management Human resource committee-The HR committee meets regularly to discuss and ratify all matters related to Human Resources within the bank.

Executive Committee (EXCO) – this committee comprises of the CEO, ED, Head of Risk, Head of Credit, Head of Treasury and Head of Finance. The matters discussed in the various management committees are tabled here for Executive action and decision.

DIS03: Overview of RWA

| | | RWA | | Minimum capital requirements |
|----------|--|-------------------|-------------------|------------------------------|
| | | Dec-24 | Sep-24 | Dec-24 |
| | | Ushs 000 | Ushs 000 | Ushs 000 |
| 1 | Credit risk (excluding counterparty credit risk) | 28,642,785 | 30,337,493 | 3,437,134 |
| 2 | Counterparty credit risk (CCR) | - | - | - |
| 3 | Market risk | 749,422 | 1,586,349 | 89,931 |
| 4 | Operational risk | 10,441,740 | 7,924,551 | 1,253,009 |
| 5 | Total (1 + 2 + 3 + 4) | 39,833,948 | 39,848,392 | 4,780,074 |

DIS04: Composition of Regulatory Capital

| | | Dec-24 | Sep-24 |
|---|---|-------------------|-------------------|
| | | Amounts Ushs 000 | Amounts Ushs 000 |
| Common Equity Tier 1 capital: instruments and reserves | | | |
| 1 | Permanent shareholders' equity (issued and fully paid-up common shares) | 28,837,000 | 28,837,000 |
| 2 | Share premium | - | - |
| 3 | Retained earnings | 2,417,528 | 2,417,528 |
| 4 | Net after tax profits current year-to date (50% only) | 84,940 | 50,484 |
| 5 | General reserves (permanent, unencumbered and able to absorb losses) | - | - |
| 6 | Tier 1 capital before regulatory adjustments | 31,339,468 | 31,305,012 |
| Tier 1 capital: regulatory adjustments | | | |
| 8 | Goodwill and other intangible assets | 895,192 | 988,338 |
| 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 | - | - |
| 26 | Other deductions determined by the Central bank | - | - |

| | | | |
|-----------|---|-------------------|-------------------|
| 28 | Total regulatory adjustments to Tier 1 capital | 895,192 | 988,338 |
| 29 | Tier 1 capital | 30,444,276 | 30,316,674 |
| | Tier 2 capital: Supplementary capital | | |
| 46 | Revaluation reserves on fixed assets | - | - |
| 47 | <i>Unencumbered general provisions for losses (not to exceed 1.25% of RWA)</i> | 206,747 | 181,509 |
| 48 | Hybrid capital instruments | - | - |
| 49 | <i>Subordinated debt (not to exceed 50% of core capital subject to a discount factor)</i> | - | - |
| 58 | Tier 2 capital | 206,747 | 181,509 |
| 59 | Total regulatory capital (= Tier 1 + Tier2) | 30,651,023 | 30,498,183 |
| 60 | Total risk-weighted assets | 39,833,948 | 39,848,392 |
| | Capital adequacy ratios and buffers | | |
| 61 | Tier 1 capital (as a percentage of risk-weighted assets) | 76% | 76% |
| 63 | Total capital (as a percentage of risk-weighted assets) | 77% | 77% |
| 64 | Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets) | - | - |
| 65 | Of which: capital conservation buffer requirement | 995,849 | 996,210 |
| 66 | Of which: countercyclical buffer requirement | - | - |
| 67 | Of which: bank specific systemic buffer requirement | - | - |
| 68 | Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements | | |
| | Minimum statutory ratio requirements | | |
| 70 | Tier 1 capital adequacy ratio | 12.50% | 12.50% |
| 71 | Total capital adequacy ratio | 14.50% | 14.50% |

DIS05: Asset Quality

| Dec-24 | | | | | | | |
|--------|-----------------------------|--------------------------|-------------------------|------------------------------------|----------------|----------------------|-------------------|
| | | 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-f) |
| | | Ushs 000 | Ushs 000 | Ushs 000 | Ushs 000 | Ushs 000 | Ushs 000 |
| 1 | Loans and advances | 670,065 | 20,219,682 | 191,043 | 206,747 | 23,985 | 20,674,718 |
| 2 | Debt Securities | - | - | - | - | - | - |
| 3 | Off-balance sheet exposures | - | 1,315,638 | | | | 1,315,638 |
| 4 | Total | 670,065 | 21,535,320 | 191,043 | 206,747 | 23,985 | 21,807,595 |

DIS06: Changes in stock of defaulted loans and debt securities

| | | Dec-24 |
|---|--|----------------|
| | | Ushs 000 |
| 1 | Defaulted loans & advances, debt securities and off balance sheet exposures at end of the previous reporting period | 830,894 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 12,683 |
| 3 | Returned to non-defaulted status | 173,512 |
| 4 | Amounts written off | - |
| 5 | Other changes | |
| 6 | Defaulted loans & advances, debt securities and off balance sheet exposures at end of the reporting period | 670,065 |
| | (1+2-3-4+5) | |

DIS07: Qualitative disclosure on SFIs' use of external credit ratings under the standardized approach for credit risk

For the period ended 31 December 2024 the Bank did not utilize the services of External Credit assessment institutions.