FINANCE trust BANK

Putting Women First

Pillar 3 Market Disclosures

June 2023

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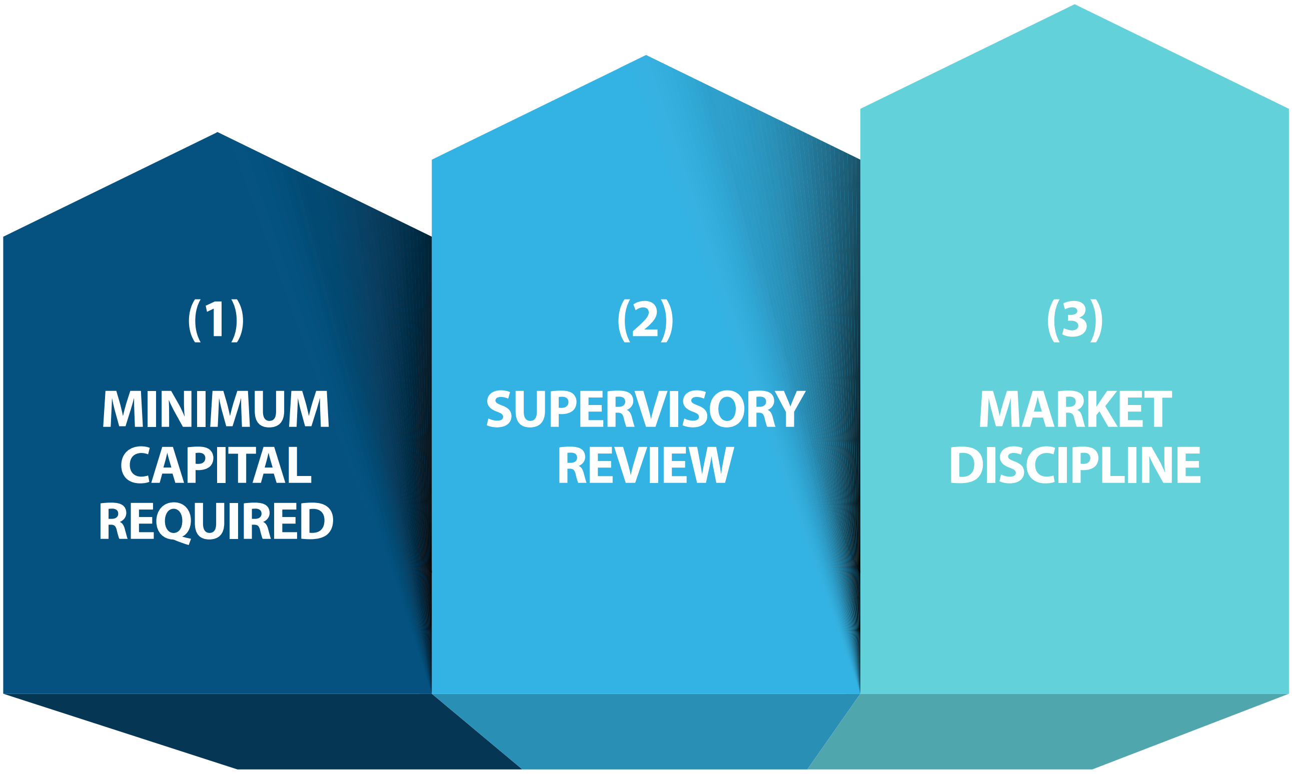
Introduction

The Finance Trust Bank (FTB) Pillar 3 Market disclosures follow the requirements set forth by Bank of Uganda, with regard to the rules on risk and capital management in financial institutions and which represented a significant advance in the governance of financial institutions.

The objectives of supervising the Basel II requirements are: (i) promote the security and soundness of the Financial System, (ii) maintain capital at appropriate levels, (iii) improve the competitiveness conditions of the financial market, and (iv) establish a more comprehensive approach to risks. The Basel III requirements are based on a "three pillar" structure: (1) "Minimum capital required", (2) "Supervisory Review" and (3), "Market discipline", allowing public access to key information related to the capital adequacy of financial institutions in a structured and standardized manner.

Finance Trust Bank affirms its commitment to transparency in all its activities, in compliance with the requirements of regulatory bodies.



Scope of document

In accordance with the requirements, we present the information regarding risk management, the calculation of the amount of risk-weighted assets (RWA), and the calculation of the Reference Equity.

DIS01: Key Prudential Metrics

		a "000" 2023-06	b "000" 2023-03	c "000" 2022-12	d "000" 2022-09	e "000" 2022-06
Available capital (amounts)						
1	Core capital	57,905,056	60,386,896	55,989,250	55,146,216	53,737,921
2	Supplementary capital	2,578,061	2,570,192	2,625,613	2,611,342	2,610,795
3	Total capital	60,483,117	62,957,088	58,614,862	57,757,557	56,348,715
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	309,627,344	304,835,968	294,598,333	320,728,035	317,616,605
Risk-based capital ratios as a percentage of RWA						
5	Core capital ratio (%)	18.70%	19.81%	18.11%	18.00%	16.92%
6	Total capital ratio (%)	19.53%	20.65%	18.96%	18.00%	17.74%
Capital buffer requirements as a percentage of RWA						
7	Capital conservation buffer requirement (2.5%)	2.50%	2.50%	2.50%	2.50%	2.50%
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)	2.5%	2.5%	2.5%	2.5%	2.5%
11	Core capital available after meeting the bank's minimum capital requirements (%)	5.92%	7.03%	5.33%	5.22%	4.14%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure ("000")	497,858,456	423,669,187	438,276,709	433,929,075	429,777,587
14	Basel III leverage ratio (%) (row 1 / row 13)	11.63%	14.25%	12.77%	12.71%	12.50%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA)	139,884,966,081	74,674,704,392	101,300,499,000	111,111,255,041	80,197,772,731
16	Total net cash outflow	57,397,932,312	43,042,192,021	43,452,546,995	82,041,574,161	48,676,565,669
17	LCR (%)	244%	173%	233%	135%	165%
Net Stable Funding Ratio						
18	Total available stable funding	477,122,159	408,771,121	420,333,291	417,645,682	413,833,409
19	Total required stable funding	166,970,373	146,819,632	151,023,753	148,938,870	160,588,694
20	NSFR	285.7%	278.4%	278.3%	280.4%	257.69%

The contraction in Total capital between June 2023 and March 2023, arose from the tax charge on conversion of retained earnings resulting from the audited and approved accounts as at 31st December 2022 into ordinary share capital. The retained earnings were fully converted into ordinary share capital at a nominal value of Ugx.1,000 per share as the first step towards compliance to the revised minimum paid up capital requirement of UGX 120bn.

Resultantly, the effect of the reduction in capital and the growth in Risk Weighted Assets supported by the growth in the loan book, led to contraction in Core Capital and Total Capital ratios between March 2023 and June 2023.

Similarly, the Leverage ratio contracted between March 2023 and June 2023 due to the reduction in the Core Capital amount as explained above.

DIS03: Overview of risk-weighted assets (RWA)

Table below shows a breakdown of the RWAs and Minimum Capital requirements for the Bank. It is noteworthy that the Bank uses the standardized approach for the market risk and operational risk portion.

		RWA "000"		Minimum capital requirements
		2023-06	2023-03	2023-06
1	Credit risk (excluding counterparty credit risk)	296,526,353	291,637,275	35,597,401
2	Counterparty credit risk (CCR)	0	0	0
3	Market risk	2,489,667	3,988,165	298,880
4	Operational risk	10,611,325	9,210,528	1,273,869
5	Total (1 + 2 + 3 + 4)	309,627,344	304,835,968	37,170,149

Overall, the RWA increased on account of the increase in RWA under Credit risk attributed to a rise in loans secured by Commercial real estate despite the decrease in RWA under market risk due to a decrease in foreign exchange assets between March 2023 and June 2023.

DIS04: Composition of regulatory capital

		Amounts '000'
Common Equity Tier 1 capital: instruments and reserves		
1	Permanent shareholders equity (issued and fully paid-up common shares)	59,657,984
2	Share premium	0
3	Retained earnings	0
4	Net after tax profits current year-to date (50% only)	508,047
5	General reserves (permanent, unencumbered and able to absorb losses)	0
6	Tier 1 capital before regulatory adjustments	60,166,031
Tier 1 capital: regulatory adjustments		
8	Goodwill and other intangible assets	2,260,975
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	Total regulatory adjustments to Tier 1 capital	57,905,056
29	Tier 1 capital	
Tier 2 capital: Supplementary capital		
46	Revaluation reserves on fixed assets	0
47	Unencumbered general provisions for losses (not to exceed 1.25% of RWA)	2,578,061
48	Hybrid capital instruments	0
49	Subordinated debt (not to exceed 50% of core capital subject to a discount factor)	0
58	Tier 2 capital	2,578,061
59	Total regulatory capital (= Tier 1 + Tier2)	60,483,117
60	Total risk-weighted assets	309,627,344
Capital adequacy ratios and buffers		
61	Tier 1 capital (as a percentage of risk-weighted assets)	18.70%
63	Total capital (as a percentage of risk-weighted assets)	19.53%
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	2.5%
66	Of which: countercyclical buffer requirement	0
67	Of which: bank specific systemic buffer requirement	0
68	Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	5.92%
Minimum statutory ratio requirements		
70	Tier 1 capital adequacy ratio	12.78%
71	Total capital adequacy ratio	14.78%

As at June 30th 2023, the Bank no longer held retained earnings following the full conversion of the retained earnings into into ordinary share capital.

DIS05: Quality of assets

In this section, the main figures for exposure to credit risk related to loans, debt securities and similar transactions that are not recorded in the Bank's financial statement are presented.

		Gross carrying values of		Provisions as per FIA2004/ MDIA2003		Interest in suspense	Net values (FIA/ MDIA)
		Defaulted exposures "000" a	Non-defaulted exposures "000" b	Specific "000" d	General "000" e	f	(a+b-d-e)
1	Loans and advances	18,492,767	248,467,922	4,922,585	8,173,693	2,036,721	253,864,411
2	Debt Securities	0	120,500,000	0	0	0	120,500,000
3	Off-balance sheet exposures	0	6,071,527	0	0	0	6,071,527
4	**Total**	**18,492,767**	**375,039,449**	**4,922,585**	**8,173,693**	**2,036,721**	**380,435,938**

As at 30th June 2023 the largest net exposure related to the bank's loan book at Ushs.253m representing 68% of total net exposure.

DIS06: Changes in stock of defaulted loans and debt securities

This section presents the changes in the stock of defaulted assets, as defined in the table.

		A "000"
1	Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the previous reporting period	19,039,818
2	Loans and debt securities that have defaulted since the last reporting period	8,794,750
3	Returned to non-defaulted status	5,189,172
4	Amounts written off	4,152,629
5	Other changes	0
6	Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the reporting period	18,492,767

The write off in the quarter ending 30th June 2023 was mainly driven by Business loans that were subjectively written off in May 2023 amounting to Ugx 2.71bn.