

# BANK OF UGANDA

OFFICE OF  
THE EXECUTIVE DIRECTOR  
SUPERVISION



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Our Ref: EDS.B.66

All Chief Executives  
Commercial Banks

## **SECTION 18 (1) (d) OF THE FINANCIAL INSTITUTIONS STATUTE 1993 - SINGLE BORROWER'S LIMIT**

Our recent review of BS 130 Report on Large Exposure and Credit Concentration shows that exposures to large borrowers of some financial institutions have increased substantially. We have also noted, of late, an increase in the number of requests for exemption from the single borrower's limit.

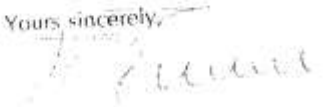
As you are aware, when credit risk is concentrated in a single borrower or group of related borrowers, default by such large borrowers could impair the viability of the financial institutions. For this reason, Bank of Uganda requires strict compliance with credit concentration or single borrower's limits provided for under section 18 (1) (d) of the Financial Institutions Statute 1993 (FIS) and the Regulation: Limitations on Advances and Credit Facilities to a Single Borrower issued in 1994.

While the FIS 1993 allows exemption from the said limits with the prior approval of the Bank of Uganda, the intention is to exercise this authority only sparingly.

In this connection, all financial institutions are reminded to put in place adequate risk monitoring systems to ensure compliance with the single borrower's limit at all times. Requests for exemption from the limit shall be done on exceptional basis and only upon submission of the Application Form (BS 130A), copy attached.

Any breach in the limit shall render the concerned financial institution liable to the appropriate sanctions and/or penalties under the FIS 1993 and the regulation.

Yours sincerely,

  
Ruth Emunu (Mrs)  
Executive Director Supervision

Copy: Governor  
Deputy Governor

**BANK OF UGANDA  
SUPERVISION FUNCTION**

**APPLICATION TO EXTEND CREDIT FACILITIES  
REPRESENTING MORE THAN 25% CORE CAPITAL TO A SINGLE BORROWER**

1 Name of Financial Institution: .....

2 Core Capital Per Latest BS 100A:

    Paid Up Capital .....

    Prior Years' Retained Profits .....

    Year-to-date Net Profits After Tax (50%) .....

    Others .....

**Total** .....

    Less: Current Year's Losses (100%) .....

        Investment in Subsidiaries .....

        Goodwill .....

        Other Deductions .....

    Core Capital .....

    25% of Core Capital .....

3 Name of Borrower: .....

    Borrower's Group: .....

4 **Application/Renewal    Nature of Facility    Outstanding Facility    Now Required**

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    (Note: List all outstanding credits (on/off balance sheet) to the borrower and its subsidiaries, affiliates and other related persons as at request date)

5 Nature of Business: .....

6 Address: .....

7 Names of Directors/Partners: .....

8 Purposes: .....

9 Security: (Present an assessment of the quality of the security pledged or to be pledged)

10 Has borrower met previous engagements with perfect regularity? .....

11 Summarized Balance Sheet As at: .....

<b>A</b>	<b>Assets</b>	<b>Amount (Shs '000)</b>
(i)	Fixed Assets	.....
(ii)	Current Assets	.....
	Stock	.....
	Debtors	.....
	Cash	.....
(iii)	Others Assets	.....
	Total Assets	.....
<b>B</b>	<b>Liabilities</b>	
(i)	Long term borrowing	.....
(ii)	Current Liabilities	.....
	Short term borrowing	.....
	Creditors	.....
	Others	.....
(iii)	Other Liabilities	.....
	Total Liabilities	.....
<b>C</b>	<b>Net Worth</b>	.....

12 Profitability: (Previous 3 years)

200.....  
200.....  
200.....

13 Reasons Why the Bank should Extend this Facility:

(Present an assessment of the credit worthiness of the borrower showing that its credit standing is of the highest quality and that its borrowings shall serve the national economic interest)

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14 Programme to ensure compliance:

(Present a plan showing how the proposed and/or existing facilities shall be monitored brought in compliance with the single borrower's limit)

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15 Other Relevant Information:

(Information on the borrower's outstanding facilities with other financial institutions in Uganda)

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16 Submit an updated BS 130 Report (Large Exposure and Credit Concentration) as at request date.

Signature: .....  
Name .....  
Title .....  
Date .....