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# PILLAR 3 MARKET DISCLOSURE REPORT

As at 30<sup>th</sup> September 2023

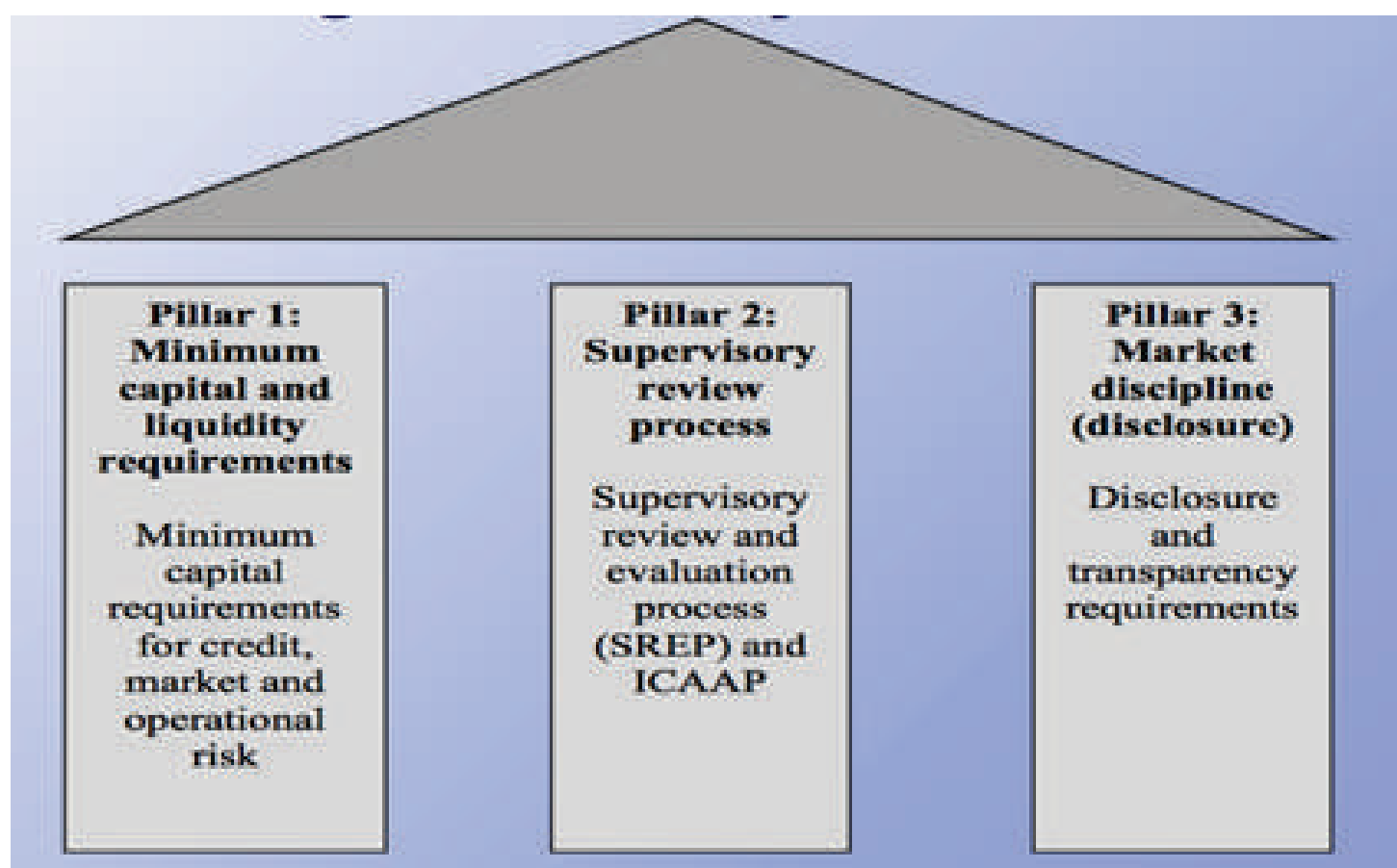
## 1.0. Introduction

Tropical Bank Limited (TBL) is a licensed Supervised Financial Institution (SFI) in Uganda. The Bank was incorporated and licensed by Bank of Uganda in 1973 and has been in existence for the last 50 years. For the year ended 31st December 2022, the bank made a profit of Ushs. 7.4 billion. The Bank's total assets and liabilities closed at Ushs 281 billion and Ushs 206 billion respectively.

## 2.0. Brief Overview of Basel II

Basel II, the second of three Basel Accords, has three main pillars: minimum capital requirements, regulatory supervision, and market discipline.

### 2.1. The Three Pillar Approach:



## 3.0. Pillar 3 Market Discipline (Disclosures)

The provision of meaningful information about common key risk metrics to market participants is a fundamental tenet of a sound banking system. This reduces information asymmetry and helps promote comparability of Tropical Bank's (TBL) risk profiles within and across jurisdictions.

Pillar 3 of the Basel framework aims to promote market discipline through regulatory disclosure requirements. These requirements enable market participants to access key information relating to a TBL's regulatory capital and risk exposures to increase transparency and confidence about TBL's exposure to risk and the overall adequacy of its regulatory capital.

## 4.0. Pillar 3 Market Discipline/Disclosure Report as at 30th September 2023

### 4.1. Key Prudential Metrics

The key prudential Metrics provide an overview of the bank's prudential regulatory metrics.

Table 1.0 below shows TBL's Key Metrics as at 30th September 2023.

KEY PRUDENTIAL METRICS (UGX '000)		a	b	c	d	e
		Q3, 2023	Q2, 2023	Q1, 2023	Q4, 2022	Q3, 2022
<b>Available capital (amounts)</b>						
1	Core capital	53,771,005	53,102,899	52,992,991	52,013,180	52,626,772
2	Supplementary capital	11,252,034	11,344,129	11,335,089	11,416,394	11,375,674
3	Total capital	65,023,039	64,447,028	64,328,080	63,429,574	64,002,446
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	269,380,453	293,425,722	310,381,463	451,086,437	155,896,506
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Core capital ratio (%)	20%	18%	17%	12%	34%
6	Total capital ratio (%)	24%	22%	21%	14%	41%
<b>Capital buffer requirements as a percentage of RWA</b>						
7	Capital conservation buffer requirement (2.5%)	26,832,960	23,760,327	21,954,845	6,904,536	37,037,121
8	Countercyclical buffer requirement (%)	20,098,448	16,424,684	14,195,308	- 4,372,625	33,139,709
9	Systemic buffer (for DSIBs) (%)	20,098,448	16,424,684	14,195,308	- 4,372,625	33,139,709
10	Total of capital buffer requirements (%)	67,029,856	56,609,695	50,345,461	- 1,840,714	103,316,539
11	Core capital available after meeting the bank's minimum capital requirements (%)	-66,228,995	- 66,897,101	- 67,007,009	- 67,986,820	27,626,772
<b>Basel III leverage ratio</b>						
13	Total Basel III leverage ratio exposure measure	387,889,362	301,835,926	281,561,627	291,552,968	284,033,318
14	Basel III leverage ratio (%)	13.9%	17.6%	18.8%	17.8%	18.5%
15	Total high-quality liquid assets (HQLA)	39,092,660	32,866,893	37,961,488	46,314,730	56,861,885
16	Total net cash outflow	5,975,369	6,022,500	5,501,088	5,268,248	10,031,233
17	LCR (%)	654.2%	545.7%	690.1%	879.1%	566.8%


## 4.2. Overview of Risk Weighted Assets (RWA)

This provides an overview of TBL's total Risk Weighted Assets (RWA) forming the denominator of the risk-based capital requirements.

Table 2.0 below shows TBL's RWAs as at 30th September 2023.

		RWA (UGX '000)		Minimum Capital Requirements (UGX '000)
		Q3, 2023	Q2, 2023	Q3, 2023
1	Credit risk (excluding counterparty credit risk)	250,441,078	169,185,425	250,441,078
2	Counterparty credit risk (CCR)	-	-	-
3	Market risk	270,572	542,739	32,482
4	Operational risk	18,668,803	123,697,557	2,241,153
5	Total (1 + 2 + 3 + 4)	269,380,453	293,425,721	252,714,713

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