

MARKET DISCLOSURE REPORT

PILLAR 3 AS AT 30TH JUNE 2024



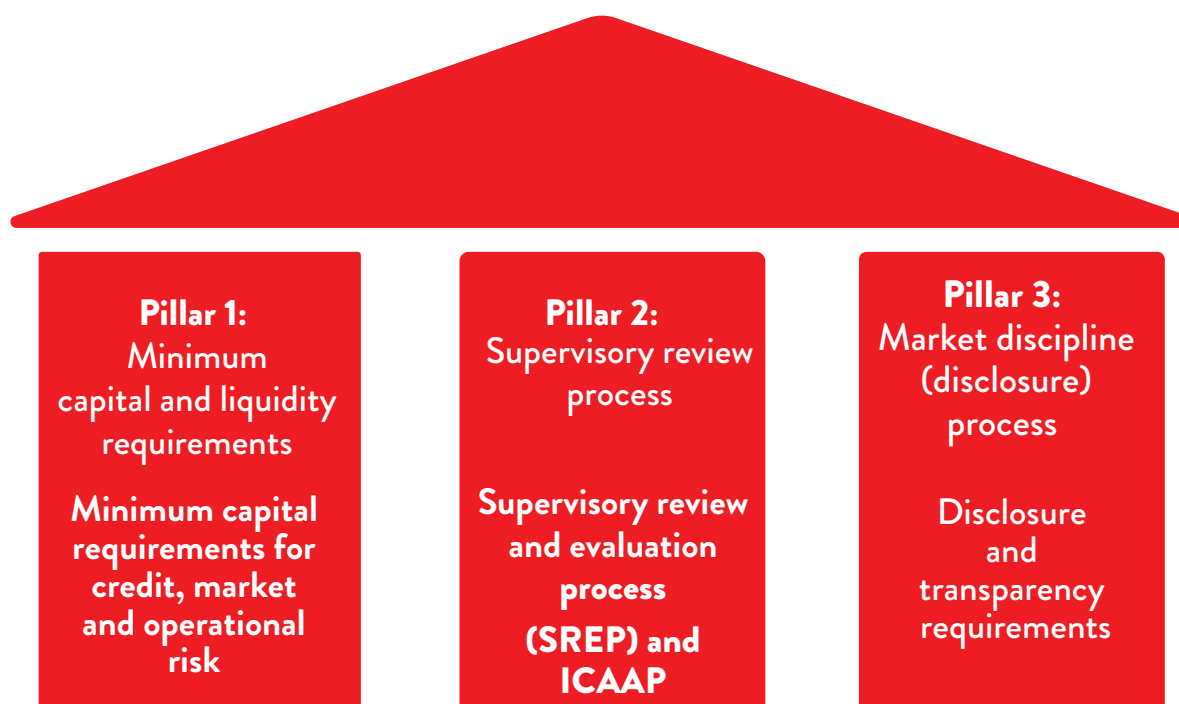
1.0. Introduction

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 2023, the bank made a profit of UGX 5.8 billion. The Bank's total assets and liabilities closed at UGX 384.079 billion and UGX 303.38 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. Capital Adequacy

The Bank's Core and Total Capital closed at UGX 63.07Bn (33%) and UGX 71.37Bn (37%) respectively as at 30th June 2024.

Following the new requirement for Supervised Financial Institutions (SFIs) to hold minimum paid up capital of UGX 150Bn by 30th June 2024, the bank received capital totalling to UGX 107.58Bn from the shareholders i.e., USD 27Mn (UGX 99.997Bn) from Libyan Foreign Bank and UGX 7.58Bn from the Government of Uganda. This capital is currently being registered .

5.0. Pillar 3 Market Discipline/Disclosure Report (Un audited) as at 30th June 2024

5.1. Key Prudential Metrics

Table 1.0 below shows TBL's Key Metrics as at 30th June 2024.

| KEY PRUDENTIAL METRICS (UGX '000) | | a | b | c | d | e |
|---|--|--------------|--------------|--------------|--------------|--------------|
| | | Q2, 2024 | Q1, 2024 | Q4, 2023 | Q3, 2023 | Q2, 2023 |
| Available capital (amounts) | | | | | | |
| 1 | Core capital | 63,074,191 | 63,912,955 | 54,769,952 | 53,771,005 | 53,102,899 |
| 2 | Supplementary capital | 8,295,317 | 8,275,477 | 11,275,500 | 11,252,034 | 11,344,129 |
| 3 | Total capital | 71,369,508 | 72,188,432 | 66,045,452 | 65,023,039 | 64,447,028 |
| Risk-weighted assets (amounts) | | | | | | |
| 4 | Total risk-weighted assets (RWA) | 190,453,073 | 189,005,751 | 278,104,145 | 269,380,453 | 293,425,722 |
| Risk-based capital ratios as a percentage of RWA | | | | | | |
| 5 | Core capital ratio (%) | 33% | 34% | 20% | 20% | 18% |
| 6 | Total capital ratio (%) | 37% | 38% | 24% | 24% | 22% |
| Capital buffer requirements as a percentage of RWA | | | | | | |
| 7 | Capital conservation buffer requirement (2.5%) | 44,028,884 | 45,012,380 | 26,959,538 | 26,832,960 | 23,760,327 |
| 8 | Countercyclical buffer requirement (%) | 39,267,557 | 40,287,236 | 20,006,934 | 20,098,448 | 16,424,684 |
| 9 | Systemic buffer (for DSIBs) (%) | 39,267,557 | 40,287,236 | 20,006,934 | 20,098,448 | 16,424,684 |
| 10 | Total of capital buffer requirements (%) | 122,563,998 | 125,586,852 | 66,973,406 | 67,029,856 | 56,609,695 |
| 11 | Core capital available after meeting the bank's minimum capital requirements (%) | (86,925,809) | (56,087,045) | (65,230,048) | (66,228,995) | (66,897,101) |
| Basel III leverage ratio | | | | | | |
| 13 | Total Basel III leverage ratio exposure measure | 425,708,851 | 308,700,952 | 393,163,066 | 387,889,362 | 301,835,926 |
| 14 | Basel III leverage ratio (%) | 14.8% | 20.7% | 13.9% | 13.9% | 17.6% |
| 15 | Total high-quality liquid assets (HQLA) | 142,833,896 | 51,939,439 | 48,161,147 | 39,092,660 | 32,866,893 |
| 16 | Total net cash outflow | 24,172,493 | 10,753,067 | 15,445,063 | 5,975,369 | 6,022,500 |
| 17 | LCR (%) | 591% | 483% | 311.8% | 654.2% | 545.7% |
| Net Stable Funding Ratio | | | | | | |
| 18 | Total available stable funding | 300,063,038 | 238,493,257 | 233,533,432 | 282,320,891 | 237,634,610 |

5.2. 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 June 2024.

| | | RWA (UGX '000) | | Minimum Capital Requirements (UGX '000) |
|---|-------------------------------------|----------------|-------------|---|
| | | Q2, 2024 | Q1, 2024 | Q2, 2024 |
| 1 | Credit risk (excluding Credit Risk) | 169,304,687 | 168,566,384 | 169,304,687 |
| 2 | Counterparty Credit Risk (CCR) | - | - | - |
| 3 | Market Risk | 380,267 | 301,183 | 45,650 |
| 4 | Operational Risk | 20,768,119 | 20,138,184 | 2,493,172 |
| 5 | Total (1 + 2 + 3 + 4) | 190,453,073 | 189,005,751 | 171,843,509 |

5.3. Composition of regulatory capital

The composition of regulatory capital provides a breakdown of the constituent elements of a TBL's capital.

Table 3.0 below shows TBL's Composition of regulatory capital as at 30th June 2024.

| COMPOSITION OF REGULATORY CAPITAL | | Q2, 2024 |
|-----------------------------------|--|---------------------|
| | | Amounts (UGX '000') |
| | Common Equity Tier 1 capital: instruments and reserves | |
| 1 | Permanent shareholders equity (issued and fully paid-up common shares) | 88,178,500 |
| 2 | Share premium | - |
| 3 | Retained earnings | (31,357,809) |
| 4 | Net after tax profits current year-to date (50% only) | 704,149 |
| 5 | General reserves (permanent, unencumbered and able to absorb losses) | 12,493,493 |
| 6 | Tier 1 capital before regulatory adjustments | 88,178,500 |
| | Tier 1 capital: regulatory adjustments | |
| 8 | Goodwill and other intangible assets | 5,028,666 |
| 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 | 86,659 |
| 28 | Total regulatory adjustments to Tier 1 capital | (23,275,492) |
| 29 | Tier 1 capital | 63,074,191 |
| | Tier 2 capital: Supplementary capital | |
| 46 | Revaluation reserves on fixed assets | 7,205,843 |
| 47 | Unencumbered general provisions for losses (not to exceed 1.25% of RWA) | 1,089,474 |
| 48 | Hybrid capital instruments | - |
| 49 | Subordinated debt (not to exceed 50% of core capital subject to a discount factor) | - |
| 58 | Tier 2 capital | 71,369,508 |
| 59 | Total regulatory capital (= Tier 1 + Tier2) | 134,443,699 |
| 60 | Total risk-weighted assets | 190,453,073 |
| | Capital adequacy ratios and buffers | |

| | | |
|----|--|------------|
| 61 | Tier 1 capital (as a percentage of risk-weighted assets) | 33.1% |
| 63 | Total capital (as a percentage of risk-weighted assets) | 37.5% |
| 64 | Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets) | 64.4% |
| 65 | Of which: capital conservation buffer requirement | 44,028,884 |
| 66 | Of which: countercyclical buffer requirement | 39,267,557 |
| 67 | Of which: bank specific systemic buffer requirement | 39,267,557 |
| 68 | Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements | 42.0% |
| | Minimum statutory ratio requirements | |
| 70 | Tier 1 capital adequacy ratio | 12.5% |
| 71 | Total capital adequacy ratio | 14.5% |

5.4. Asset Quality

This provides a comprehensive picture of the credit quality of TBL's (on- and off-balance sheet) assets.

Table 4.0 below shows TBL's Asset quality as at 30th June 2024.

| ASSET QUALITY | | | | | | | |
|---------------|-----------------------------|--------------------------|-------------------------|------------------------------------|-----------|----------------------|-----------------------------|
| | | a | b | d | e | f | g |
| | | Gross carrying values of | | Provisions as per FIA2004/MDIA2003 | | Interest in suspense | Net UGX (000) |
| | | Defaulted exposures | Non-defaulted exposures | Specific | General | | values (FIA/MDIA) (a+b-d-e) |
| 1 | Loans and advances | 14,788,438 | 106,430,471 | 10,717,779 | 1,089,474 | 1,670,255 | 109,411,656 |
| 2 | Debt Securities | - | - | - | - | - | - |
| 3 | Off-balance sheet exposures | - | 5,727,517 | - | - | - | 5,727,517 |
| 4 | Total | 14,788,438 | 112,157,988 | 10,717,779 | 1,089,474 | 1,670,255 | 115,139,173 |


5.5. Changes in stock of defaulted loans and debt securities

This section identifies changes in a TBL's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

Table 5.0 below shows Changes in TBL's stock of defaulted loans and debt securities as at 30th June 2024.

| CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES | | Q2, 2024 (UGX '000') |
|---|---|----------------------|
| 1 | Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the previous reporting period | 23,522,942 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 9,957,371 |
| 3 | Returned to non-defaulted status | 10,862,653 |
| 4 | Amounts written off | 8,241,593 |
| 5 | Other changes | - |
| 6 | Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the reporting period | 14,376,067 |


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