

PILLAR 3 MARKET DISCLOSURE REPORT (UNAUDITED)

AS AT 30TH JUNE (Q2) 2025

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1.0. INTRODUCTION

Tropical Bank Limited (TBL) is a licensed Supervised Financial Institution (SFI) in Uganda. Incorporated and licensed by the Bank of Uganda in 1973, Tropical Bank Limited (TBL) has operated for over five decades, marking 52 years of financial service provision in Uganda.

For the year ended 31st December 2024, the bank made a profit after tax of UGX 7.2 billion. The Bank's total assets and liabilities closed at UGX 404.745 billion and UGX 205.65 billion respectively.

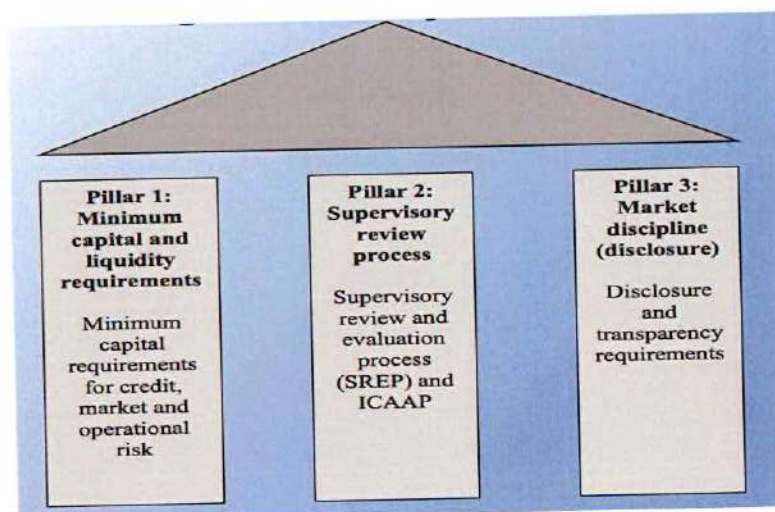
2.0. BRIEF OVERVIEW OF BASEL II

Basel II is an international business standard that requires financial institutions to maintain enough cash reserves to cover risks incurred by their operations. The Basel accords are a series of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision.

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:

Figure 1: Three pillar approach



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3.0. PILLAR 3 MARKET DISCIPLINE (DISCLOSURES)

Pillar 3 of the Basel framework focuses on promoting market discipline within the banking sector. It achieves this by requiring banks to disclose detailed information about their capital adequacy, risk exposures, and risk management processes to the market. This transparency helps investors and other stakeholders assess the bank's risk profile and make informed decisions.

Providing transparent and comparable information on key risk metrics is essential to a resilient 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

As at 30th June 2025, the bank's Core and Total Capital closed at UGX 188.354 billion (representing 88% of Total Risk Weighted Assets) and UGX198.528 billion (representing 93% of Total Risk Weighted Assets) respectively and complies with the minimum capital requirement of UGX 150 billion.

5.0. PILLAR 3 MARKET DISCIPLINE/DISCLOSURE REPORT (UN AUDITED) AS AT 30TH JUNE 2025

5.1. 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 June 2025.

KEY PRUDENTIAL METRICS (UGX '000)		a Q2, 2025	b Q1, 2025	c Q4, 2024	d Q3, 2024	e Q2, 2024
Available capital (amounts)						
1	Core capital	188,353,895	189,979,544	176,260,102	170,661,969	63,074,191
2	Supplementary capital	10,173,632	8,396,495	8,368,647	8,248,601	8,295,317
3	Total capital	198,527,527	198,376,039	184,628,749	178,910,570	71,369,508
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	214,013,273	194,460,603	189,549,471	185,775,372	190,453,073

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KEY PRUDENTIAL METRICS (UGX '000)		a Q2, 2025	b Q1, 2025	c Q4, 2024	d Q3, 2024	e Q2, 2024
Risk-based capital ratios as a percentage of RWA						
5	Core capital ratio (%)	88%	98%	93%	92%	33%
6	Total capital ratio (%)	93%	102%	97%	96%	37%
Capital buffer requirements as a percentage of RWA						
7	Capital conservation buffer requirement (2.5%)	2.5%	2.5%	2.5%	2.5%	2.5%
8	Countercyclical buffer requirement (%)	-	-	-	-	-
9	Systemic buffer (for DSIBs) (%)	-	-	-	-	-
10	Total of capital buffer requirements (%)	2.5%	2.5%	2.5%	2.5%	2.5%
11	Core capital available after meeting the bank's minimum capital requirements (%)	75.3%	85.5%	80.5%	79.5%	20.5%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	426,219,655	415,398,559	412,469,882	411,450,860	425,708,851
14	Basel III leverage ratio (%)	44.2%	45.7%	42.7%	41.5%	14.8%
15	Total high-quality liquid assets (HQLA)	126,989,266	29,727,988	59,137,290	37,770,142	142,833,896
16	Total net cash outflow	10,296,259	11,872,899	8,230,658	6,828,702	24,172,493
17	LCR (%)	944%	250%	719%	553%	591%
Net Stable Funding Ratio						
18	Total available stable funding	348,609,567	338,648,769	322,785,563	334,953,219	300,063,038
19	Total required stable funding	52,932,074	59,913,432	55,467,602	67,716,173	66,021,936
20	NSFR %	659%	565%	582%	495%	454%

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 2025.

		RWA (UGX '000)		Minimum Capital Requirements (UGX '000)
		Q2, 2025	Q1, 2025	Q2, 2025
1	Credit risk (excluding Counterparty Credit Risk)	187,186,449	183,285,552	187,186,449
2	Counterparty Credit Risk (CCR)	-	-	-
3	Market Risk	3,417,500	925,866	410,264
4	Operational Risk	23,409,324	10,249,185	2,810,243
5	Total (1 + 2 + 3 + 4)	214,013,273	194,460,603	190,406,956

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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 2025.

COMPOSITION OF REGULATORY CAPITAL		Q2, 2025
		Amounts (UGX '000')
	Common Equity Tier 1 capital: instruments and reserves	
1	Permanent shareholders equity (issued and fully paid-up common shares)	195,755,500
2	Share premium	-
3	Retained earnings	(19,641,075)
4	Net after tax profits current year-to date (50% only)	4,147,282
5	General reserves (permanent, unencumbered and able to absorb losses)	12,493,493
6	Tier 1 capital before regulatory adjustments	195,755,500
	Tier 1 capital: regulatory adjustments	
8	Goodwill and other intangible assets	4,401,305
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	(7,401,605)
29	Tier 1 capital	188,353,895
	Tier 2 capital: Supplementary capital	
46	Revaluation reserves on fixed assets	8,894,707
47	<i>Unencumbered general provisions for losses (not to exceed 1.25% of RWA)</i>	1,278,926
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	10,173,632
59	Total regulatory capital (= Tier 1 + Tier2)	198,527,527
60	Total risk-weighted assets	214,013,273
	Capital adequacy ratios and buffers	
61	Tier 1 capital (as a percentage of risk-weighted assets)	88%
63	Total capital (as a percentage of risk-weighted assets)	93%
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	-
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	75%
	Minimum statutory ratio requirements	
70	Tier 1 capital adequacy ratio	12.75%
71	Total capital adequacy ratio	14.75%

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5.4. Credit Quality of Assets

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 2025.

ASSET QUALITY							
		a	b	Provisions as per FIA2004/MDIA2003		f	g
		Gross carrying values of				Interest in suspense	Net UGX (000)
		Defaulted exposures	Non-defaulted exposures	Specific	General		values (FIA/MDIA) (a+b-d-e)
1	Loans and advances	4,594,642	126,692,468	2,668,223	1,278,926	666,467	127,339,961
2	Debt Securities	-	-	-	-	-	-
3	Off-balance sheet exposures	-	7,636,399	-	-	-	7,636,399
4	Total	4,594,642	134,328,867	2,668,223	1,278,926	666,467	134,976,360

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 2025.

CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES		Q2, 2025 (UGX '000')
1	Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the previous reporting period	8,091,532
2	Loans and debt securities that have defaulted since the last reporting period	1,198,144
3	Returned to non-defaulted status	3,229,457
4	Amounts written off	1,460,886
5	Other changes	-
6	Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the reporting period	4,599,333

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