

**PILLAR 3 MARKET DISCLOSURE
REPORT (UNAUDITED)**

AS AT 31ST DECEMBER (Q4) 2025

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PILLAR 3 MARKET DISCLOSURE REPORT (UNAUDITED)



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 2025, the bank made a profit after tax of UGX 16.9 billion. The Bank's total assets and liabilities closed at UGX 508.01 billion and UGX 292.4 billion respectively.

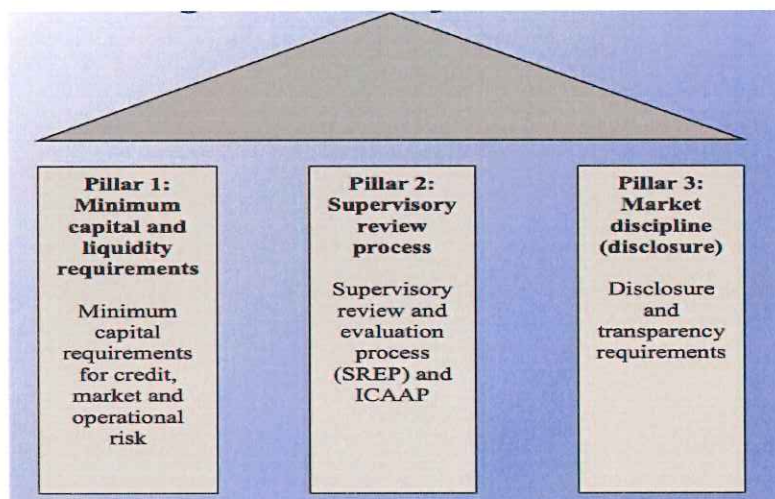
2.0. BRIEF OVERVIEW OF BASEL II

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 31st December 2025, the bank's Core and Total Capital closed at UGX 192.978 billion (representing 71% of Total Risk Weighted Assets) and UGX 203.264 billion (representing 75% 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 31ST DECEMBER 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 31st December 2025.

KEY PRUDENTIAL METRICS (UGX +000)		a	b	c	d	e
		Q4, 2025	Q3, 2025	Q2, 2025	Q1, 2025	Q4, 2024
Available capital (amounts)						
1	Core capital	192,978,318	190,282,347	188,353,895	189,979,544	176,260,102
2	Supplementary capital	10,286,082	10,277,644	10,173,632	8,396,495	8,368,647
3	Total capital	203,264,401	200,559,991	198,527,527	198,376,039	184,628,749
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	272,473,624	228,902,738	214,013,273	194,460,603	189,549,471
Risk-based capital ratios as a percentage of RWA						
5	Core capital ratio (%)	71%	83%	88%	98%	93%

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KEY PRUDENTIAL METRICS (UGX '000)		a	b	c	d	e
		Q4, 2025	Q3, 2025	Q2, 2025	Q1, 2025	Q4, 2024
6	Total capital ratio (%)	75%	88%	93%	102%	97%
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 (%)	58.3%	70.3%	75.3%	85.3%	80.3%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	517,334,450	427,917,093	426,219,655	415,398,559	412,469,882
14	Basel III leverage ratio (%)	37.1%	44.5%	44.2%	45.7%	42.7%
15	Total high-quality liquid assets (HQLA)	71,702,353	34,108,077	87,289,145	29,727,988	59,137,290
16	Total net cash outflow	18,531,508	7,386,434	10,296,259	11,872,899	8,230,658
17	LCR (%)	387%	462%	848%	250%	719%
Net Stable Funding Ratio						
18	Total available stable funding	426,320,880	345,243,352	348,609,567	338,648,769	322,785,563
19	Total required stable funding	193,109,602	250,290,087	52,932,074	59,913,432	55,467,602
20	NSFR %	221%	138%	659%	565%	582%

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 31st December 2025.

		RWA (UGX '000)		Minimum Capital Requirements (UGX '000)
		Q4, 2025	Q3, 2025	Q4, 2025
1	Credit risk (excluding Counterparty Credit Risk)	247,068,371	198,111,259	247,068,371
2	Counterparty Credit Risk (CCR)	-	-	-
3	Market Risk	221,955	279,277	26,645
4	Operational Risk	25,183,298	30,512,202	3,023,205
5	Total (1 + 2 + 3 + 4)	272,473,624	228,902,738	250,118,221

5.3. Risk Management Approach

5.3.1. Risk Governance Structure and Oversight

Tropical Bank Limited has established a robust risk governance framework that ensures effective oversight, accountability, and prudent management of risks in line with regulatory requirements and international best practice.

Board Oversight

The Board of Directors is the highest governing body of the Bank and bears ultimate responsibility for the oversight of the Bank's risk management framework, strategy, and risk appetite. The Board approves the Bank's strategic objectives, risk appetite statement, key risk policies, and ensures that material risks are identified, measured, monitored, and controlled within approved tolerances.

To support effective oversight, the Board has established specialized Board Committees, each operating under approved charters and delegated authority, while retaining ultimate accountability. These committees include:

- Board Risk Committee (BRC)
- Board Credit Committee (BCC)
- Board Audit Committee (BAC)
- Board Assets and Liabilities Committee (BALCO)
- Board Governance Committee (BGC)
- Shari'ah Advisory Board (SAB)

The committees are predominantly composed of experienced Non-Executive Directors, with the Board Audit Committee comprising Independent Non-Executive Directors, in line with good corporate governance practices.

Board Committees – Risk Oversight Roles

- Board Risk Committee (BRC): Oversees the Bank's enterprise-wide risk management framework, risk appetite, and overall risk profile, and monitors compliance with regulatory requirements and internal policies.
- Board Credit Committee (BCC): Provides oversight of credit risk strategy, credit policies, portfolio quality, provisioning adequacy, and large or material credit exposures.



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- Board Assets and Liabilities Committee (BALCO): Oversees market risk, liquidity risk, capital management, and balance sheet structure.
- Board Audit Committee (BAC): Oversees financial reporting, internal controls, internal and external audit functions, and the effectiveness of risk management and governance processes.
- Board Governance Committee (BGC): Oversees Board composition, performance, remuneration, and senior management succession.
- Shari'ah Advisory Board (SAB): Provides independent oversight to ensure that Islamic banking operations comply with Shari'ah principles and applicable regulations.

Management provides regular risk and performance reports to the relevant Board Committees, which escalate material matters to the full Board as appropriate.

Senior Management and Management Committees

The Board has delegated responsibility for the day-to-day management of the Bank to Senior Management, led by the Managing Director. Senior Management is responsible for implementing Board-approved strategies, policies, and risk limits.

To support effective risk management, Management operates through established Management Committees, including:

- Executive Committee (EXCO)
- Management Risk Committee (MRC)
- Management Credit Committee (MCC)
- Assets and Liabilities Committee (ALCO)
- Human Resource Management Committee (HRMC)
- Management IT Steering Committee (MITSC)
- Other functional management committees

These committees support the identification, assessment, monitoring, mitigation, and reporting of risks within their respective mandates and operate within the authority delegated by the Board.

Lines of Defence

The Bank's risk governance framework is underpinned by a three-lines-of-defence model:

1. First Line: Business and operational units responsible for identifying and managing risks in their activities.
2. Second Line: Independent Risk and Compliance functions responsible for oversight, monitoring, and challenge.
3. Third Line: Independent Internal Audit function providing assurance on the effectiveness of governance, risk management, and internal controls.

5.3.2. Risk Culture and Communication

The Bank promotes a strong risk culture anchored on ethical conduct, accountability, and compliance. The Board and Senior Management set the tone for risk awareness and responsible behaviour across the institution.

Key mechanisms supporting risk culture include:

- Mandatory induction training for new staff
- Continuous internal and external training programmes on risk, compliance, and ethics
- Bank-wide risk awareness initiatives
- Approved whistle-blowing mechanisms enabling confidential reporting of misconduct
- Regular internal communications on strategy, risk management, and compliance matters

5.3.3. Risk Reporting to the Board and Senior Management

The Bank operates under an approved Risk Appetite Statement that defines acceptable levels of risk across key risk categories, supported by Key Risk Indicators (KRIs) and tolerance thresholds.

Management monitors performance against the Risk Appetite Statement through regular risk reports covering credit, market, liquidity, operational, compliance, and other material risks. These reports are reviewed by the Management Risk Committee and Executive Management committees on a monthly basis and escalated to the Board Risk Committee and the Board on a quarterly basis, or more frequently where required.

5.3.4. Stress Testing Framework

The Bank has an established Stress Testing Framework, approved by the Board as part of the overall Risk Management Framework. Stress testing is conducted across key risk categories, including credit, market, liquidity, operational, and capital risks.

Stress testing is used to:

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- Assess the Bank's resilience under adverse but plausible scenarios
- Support capital and liquidity planning
- Inform risk mitigation and contingency planning
- Enhance strategic and risk decision-making

Stress testing results are reviewed by Senior Management and the Board on a regular basis. The Internal Audit function periodically provides independent assurance on the adequacy and effectiveness of the stress testing framework.

Use of Stress Testing in Risk Management

Stress testing outcomes inform:

- Development of risk mitigation actions
- Capital and liquidity contingency planning
- Strategic planning and risk appetite calibration

5.3.5. Risk Mitigation Strategies

The Bank's risk management strategies are embedded within its approved strategic plan, and Enterprise Risk Management framework. Risk-specific policies outline the approaches for managing, mitigating, and controlling risks, including credit, market, liquidity, operational, and compliance risks.

Management monitors the effectiveness of these strategies through regular reporting and reviews, with material issues escalated to the appropriate Board Committees.

5.4. Qualitative disclosure on use of external credit ratings under the standardized approach for Credit Risk.

a. External Credit Assessment institutions (ECAIs) and export credit agencies (ECAs) used by TBL

The Bank does not use External Credit Assessment Institutions (ECAIs) or Export Credit Agencies (ECAs). Credit risk is assessed using internal credit evaluation processes. Any future use of external credit assessments will be subject to regulatory guidance and approval.


b. The asset classes for which each ECAI or ECA is used

N/A

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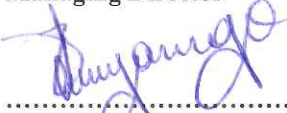

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Executive Director


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Managing Director

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Chairperson Board of Directors

