Tropical Bank
HERE FOR YOU

PILLAR 3 MARKET DISCLOSURE REPORT (UNAUDITED)

AS AT 30TH JUNE (Q2) 2026

PILLAR 3 MARKET DISCLOSURE REPORT (UNAUDITED)

Tropical Bank
HERE FOR YOU

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 53 years of financial service provision in Uganda.

For the year ended 31st December 2025, the bank made a profit after tax of UGX 12.6 billion. The Bank's total assets and liabilities closed at UGX 503.2 billion and UGX 291.5 billion respectively.

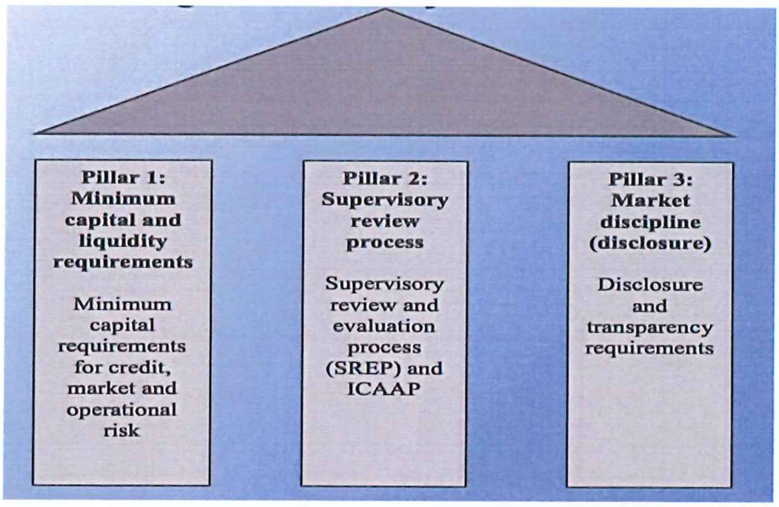
2.0. BRIEF OVERVIEW OF BASEL II

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



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 30TH JUNE 2026

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 2026 (unaudited).

KEY PRUDENTIAL METRICS (UGX '000)		a Q2, 2026	b Q1, 2026	c Q4, 2025	d Q3, 2025	e Q2, 2025
Available capital (amounts)						
1	Core capital	203,939,656	201,699,277	195,755,500	190,282,347	188,353,895
2	Supplementary capital	10,368,550	10,171,386	10,286,082	10,277,644	10,173,632
3	Total capital	214,308,206	211,870,663	203,264,401	200,559,991	198,527,527
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	243,670,957	256,746,033	272,473,624	228,473,624	214,013,273
Risk-based capital ratios as a percentage of RWA						

KEY PRUDENTIAL METRICS (UGX '000)		a Q2, 2026	b Q1, 2026	c Q4, 2025	d Q3, 2025	e Q2, 2025
5	Core capital ratio (%)	84%	79%	71%	83%	88%
6	Total capital ratio (%)	88%	83%	75%	88%	93%
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 (%)	70.9%	66.3%	58.3%	70.3%	75.3%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	520,929,016	509,081,900	519,815,750	427,917,093	426,219,655
14	Basel III leverage ratio (%)	39.1%	39.6%	37.1%	44.5%	44.2%
15	Total high-quality liquid assets (HQLA)	141,134,742	57,609,998	71,702,353	34,108,077	87,289,145
16	Total net cash outflow	11,201,934	10,704,640	18,531,508	7,386,434	10,296,259
17	LCR (%)	1,260%	538%	387%	848%	250%
Net Stable Funding Ratio						
18	Total available stable funding	424,672,600	422,134,173	426,320,880	345,243,352	348,609,567
19	Total required stable funding	211,143,898	199,336,684	193,109,602	250,290,087	52,932,074
20	NSFR %	201%	212%	221%	138%	659%

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 2026 (unaudited).

		RWA (UGX '000)		Minimum Capital Requirements (UGX '000)
		Q2, 2026	Q1, 2026	Q2, 2026
1	Credit risk (excluding Counterparty Credit Risk)	212,896,508	227,567,755	212,896,508
2	Counterparty Credit Risk (CCR)	-	-	0
3	Market Risk	163,792	376,047	19,663
4	Operational Risk	30,610,657	28,802,231	3,674,749
5	Total (1 + 2 + 3 + 4)	243,670,957	256,746,033	216,590,920

5.3. Composition of regulatory capital

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

Table 3.0 below shows TBL's Composition of regulatory capital as at 30th June 2026.

COMPOSITION OF REGULATORY CAPITAL		Q2, 2026 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	0
3	Retained earnings	-2,969,187
4	Net after tax profits current year-to date (50% only)	3,962,407
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	5,302,558
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**	8,184,156
29	**Tier 1 capital**	203,939,656
	Tier 2 capital: Supplementary capital	
46	Revaluation reserves on fixed assets	8,894,707
47	*Unencumbered general provisions for losses (not to exceed 1.25% of RWA)*	1,473,843
48	Hybrid capital instruments	-

COMPOSITION OF REGULATORY CAPITAL		Q2, 2026 Amounts (UGX '000')
49	*Subordinated debt (not to exceed 50% of core capital subject to a discount factor)*	-
58	**Tier 2 capital**	10,368,550
59	**Total regulatory capital (= Tier 1 + Tier2)**	214,308,206
60	**Total risk-weighted assets**	243,670,957
	Capital adequacy ratios and buffers	
61	**Tier 1 capital (as a percentage of risk-weighted assets)**	83.7%
63	**Total capital (as a percentage of risk-weighted assets)**	87.9%
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**	71%
	Minimum statutory ratio requirements	
70	Tier 1 capital adequacy ratio	12.75%
71	Total capital adequacy ratio	14.75%

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 2026.

ASSET QUALITY							
		a	b	d	e	f	g
		Gross carrying values of		Provisions as per FIA2004/MDIA2003		Interest in suspense	Net UGX (000)
							values (FIA/MDIA)
		Defaulted exposures	Non-defaulted exposures	Specific	General		(a+b-d-e)
1	Loans and advances	10,972,634	140,470,068	2,775,486	1,473,843	1,488,980	147,193,373
2	Debt Securities	-	-	-	-	-	-
3	Off-balance sheet exposures	-	7,282,032	-	-	-	7,282,032
4	**Total**	**10,972,634**	**147,752,101**	**2,775,486**	**1,473,843**	**1,488,980**	**154,475,405**

5.5. Changes in stock of defaulted loans and debt securities

This section identifies changes in 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 2026.

CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES		Q2, 2026 (UGX '000')
1	**Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the previous reporting period**	5,546,846
2	Loans and debt securities that have defaulted since the last reporting period	1,401,142
3	Returned to non-defaulted status	-2,181,333
4	Amounts written off	-409,050
5	Other changes	-
6	**Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the reporting period**	9,538,371

Prepared By: ……………………………………
Robert Munialo
Ag. Head Risk

Recommended By: ……………………………………
Joweria Mukalazi
Executive Director

……………………………………
Abdulaziz M. A. Mansur
Managing Director

Approved By: ……………………………………
Ibrahim Senyonga Atwoki
Chairperson Board of Directors