Tropical Bank
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PILLAR 3
MARKET DISCLOSURE REPORT

As at 30th June 2023

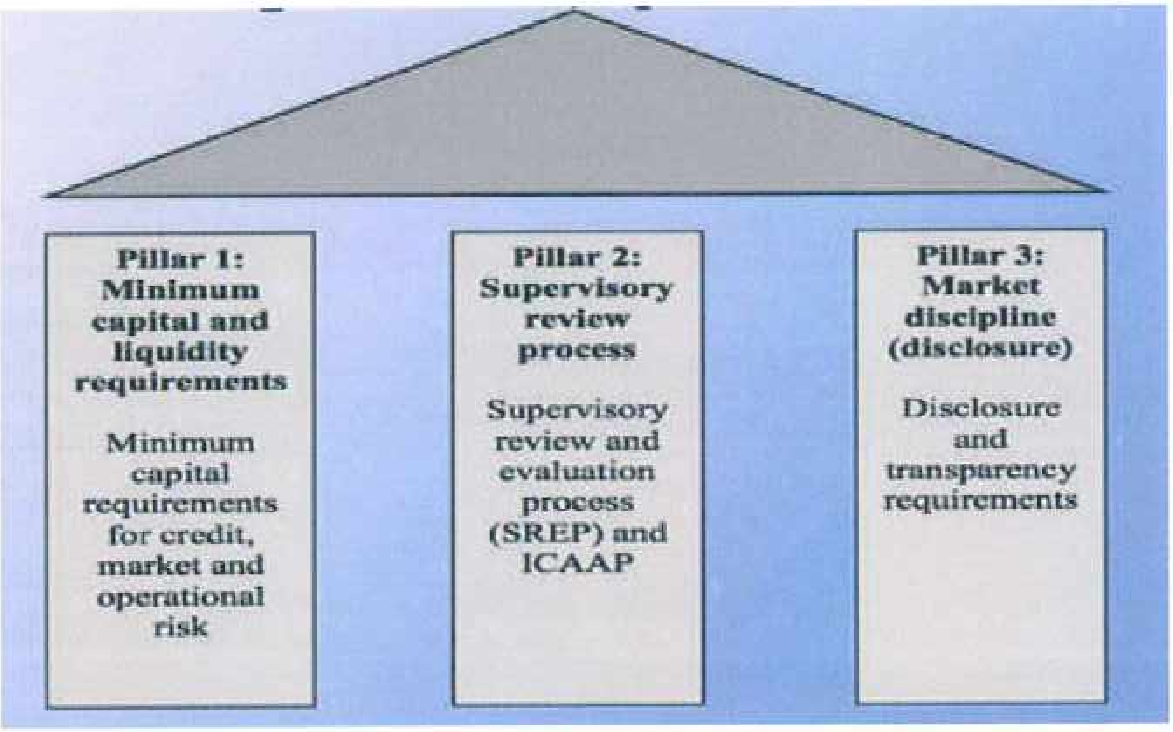
1.0. Introduction

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 June 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 June 2023.

KEY PRUDENTIAL METRICS (UGX '000)		a Q2, 2023	b Q1, 2023	c Q4, 2022	d Q3, 2022	e Q2, 2022
Available capital (amounts)						
1	Core capital	53,102,899	52,992,991	52,013,180	52,626,772	51,062,096
2	Supplementary capital	11,344,129	11,335,089	11,416,394	11,375,674	11,383,091
3	Total capital	64,447,028	64,328,080	63,429,574	64,002,446	62,445,187
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	293,425,722	310,381,463	451,086,437	155,896,506	152,842,894
Risk-based capital ratios as a percentage of RWA						
5	Core capital ratio (%)	18%	17%	12%	34%	33%
6	Total capital ratio (%)	22%	21%	14%	41%	41%
Capital buffer requirements as a percentage of RWA						
7	Capital conservation buffer requirement (2.5%)	23,760,327	21,954,845	6,904,536	37,037,121	37,342,483
8	Countercyclical buffer requirement (%)	16,424,684	14,195,308	- 4,372,625	33,139,709	33,521,410
9	Systemic buffer (for DSIBs) (%)	16,424,684	14,195,308	- 4,372,625	33,139,709	33,521,410
10	Total of capital buffer requirements (%)	56,609,695	50,345,461	- 1,840,714	103,316,539	104,385,303
11	Core capital available after meeting the bank's minimum capital requirements (%)	- 66,897,101	- 67,007,009	- 67,986,820	27,626,772	26,062,096
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	301,835,926	281,561,627	291,552,968	284,033,318	285,188,011
14	Basel III leverage ratio (%)	17.6%	18.8%	17.8%	18.5%	17.9%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA)	32,866,893	37,961,488	46,314,730	56,861,885	60,043,482
16	Total net cash outflow	6,022,500	5,501,088	5,268,248	10,031,233	13,105,847
17	LCR (%)	545.7%	690.1%	879.1%	566.8%	458.1%

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 June 2023.

Table 2.0

		RWA		Minimum Capital Requirements
		Q2, 2023	Q1, 2023	Q2, 2023 (UGX '000)
1	Credit risk (excluding counterparty credit risk)	169,185,425	150,913,294	169,185,425
2	Counterparty credit risk (CCR)	-	-	-
3	Market risk	542,739	1,161,120	65,155
4	Operational risk	123,697,557	158,307,049	14,849,647
5	Total (1 + 2 + 3 + 4)	293,425,721	310,381,463	184,100,227

4.3. 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 2023.

Table 3.0

	COMPOSITION OF REGULATORY CAPITAL	Q2, 2023 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	(44,364,155)
4	Net after tax profits current year-to date (50% only)	1,565,605
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	**57,873,443**
8	Goodwill and other intangible assets	4,772,765
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	(2,221)
28	**Total regulatory adjustments to Tier 1 capital**	(35,075,601)
29	**Tier 1 capital**	53,102,899
	Tier 2 capital: Supplementary capital	
46	Revaluation reserves on fixed assets	10,202,632
47	*Unencumbered general provisions for losses (not to exceed 1.25% of RWA)*	1,141,497
48	Hybrid capital instruments	-
49	*Subordinated debt (not to exceed 50% of core capital subject to a discount factor)*	-
58	**Tier 2 capital**	**64,447,028**
59	**Total regulatory capital (= Tier 1 + Tier2)**	117,549,927
60	**Total risk-weighted assets**	293,425,722
	Capital adequacy ratios and buffers	
61	**Tier 1 capital (as a percentage of risk-weighted assets)**	18.1%
63	**Total capital (as a percentage of risk-weighted assets)**	22.0%
64	**Total Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus systemic buffer, expressed as a percentage of risk-weighted assets)**	19.3%
65	Of which: capital conservation buffer requirement	23,760,327
66	Of which: countercyclical buffer requirement	16,424,684
67	Of which: bank specific systemic buffer requirement	16,424,684
68	**Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	-23%
	Minimum statutory ratio requirements	
70	Tier 1 capital adequacy ratio	12.5%
71	Total capital adequacy ratio	14.5%

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4.4. 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 2023.

Table 4.0

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	22,623,101	109,760,762	13,572,139	1,141,497	4,762,965	117,670,227
2	Debt Securities	-	-	-	-	-	-
3	Off-balance sheet exposures	-	7,980,481	-	-	-	7,980,481
4	**Total**	**22,623,101**	**117,741,243**	**13,572,139**	**1,141,497**	**4,762,965**	**125,650,708**

4.5 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 2023.

Table 5.0

	CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES	Q2, 2023 (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	
3	Returned to non-defaulted status	899,841
4	Amounts written off	-
5	Other changes	-
6	**Defaulted loans & advances, debt securities and off-balance sheet exposures at end of the reporting period**	**22,623,101**

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