



AKIBA COMMERCIAL BANK PLC
benki kwa maendeleo yako



Empowering Progress Through Digital Innovation

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2024**



Empowering Progress Through Digital Innovation

A bold affirmation of our commitment to advancing inclusive growth through technology.

We believe that real progress starts with access and digital innovation is the key to unlocking new opportunities for individuals, businesses, and communities across Tanzania. As we enhance our mobile banking services, expand the Akiba Wakala network and roll out secure VISA card and Internet Banking solutions, we are laying the foundation for a more accessible, convenient, and empowering banking experience.

This journey is about more than just new platforms; it is about deploying a full suite of digital innovations embedded in state-of-the-art technology to serve today's needs and anticipate tomorrow's expectations. From smart systems to seamless interfaces, we are transforming how customers engage with their finances.

By driving this digital shift, we are building a future-ready bank that actively supports national financial inclusion goals, fosters economic resilience, and ensures that no one is left behind in the digital era.



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“We enable you to make
transaction on the go.”





01

INTRODUCTION

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ABBREVIATIONS

ACB - Akiba Commercial Bank

ATM - Auto Talent Machine (Automated Teller Machine)

BOT - Bank of Tanzania

CSR - Corporate Social Responsibility

ECL - Expected Credit Loss

FVOCI - Fair Value Through Other Comprehensive Income

FVTPL - Fair Value Through Profit or Loss

IFRS - International Financial Reporting Standards

IMF - International Monetary Fund

LGD - Loss Given Default

MSE - Micro and Small Enterprises

NPL - Non-Performing Loan

NSSF - National Social Security Fund

OSHA - Occupational Safety and Health Authority

PAYE - Pay As You Earn

PD - Probability of Default

POS - Point of Sale

SACCO - Savings and Credit Cooperative Organization

SICR - Significant Increase in Credit Risk

SME - Small and Medium Enterprise

WCF - Workers Compensation Fund



Letter of Transmittal

Dear Shareholders,

Our Audited Financial Statements as of 31 December 2024 demonstrate our commitment to financial transparency and accountability, showcasing our progress in terms of governance, financial performance and sustainability. In the first half of the year, we navigated internal challenges as we finalized the rationalization of our business while prospects of a turnaround in the second half of the year were thwarted by liquidity pressure with increasing interest rates in the market. Despite these challenges, we were able to achieve significant milestones and accomplishments particularly in our digital transformation journey, thanks to the dedication and hard work of our employees. These milestones include upgrade of the core banking system, launch of a new Mobile App, Internet Banking and VISA Cards, business operations rationalization and resumption of trade finance.

Looking ahead, we are excited about the prospects for Akiba Commercial Bank Plc on the backdrop of a strong foundation that was laid down in the past 4 years and the culture transformation journey we have initiated to propel the business forward. With your continued support and trust, we are confident that we will continue to thrive in the years to come. Thank you for your ongoing partnership with us. We value your feedback and input and look forward to working together towards a successful future.


Catherine N. Kimaryo
Chairperson
Akiba Commercial Bank Plc

“Progress feels effortless when
banking moves with you.”





02.

COMPANY PROFILE

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Our History

Akiba Commercial Bank Plc commenced banking operations in August 1997 as an initiative of over 300 Tanzanian entrepreneurs who were inspired to move into micro-finance, by the moral and economical concern for the plight of millions of Tanzanians. These founding members were bound together by a strong conviction that in Akiba Commercial Bank Plc they will have the vehicle through which they would reach and help transform the lives of previously unbanked and commercially ill-equipped people around the country.

The bank's essence was to support the emergence of start-up Tanzanian businesses through the provision of financial services at all levels by a Tanzanian-owned commercial bank which understood the people it aimed to serve and was committed to. This was the original, very firm and deep-rooted mission of its founding members. Akiba's main target markets were small and medium sized entrepreneurs, companies, and community banks. Today Akiba has expanded its services beyond Dar es Salaam successfully establishing itself as a strong presence in the Tanzanian banking sector which has one of the highest numbers of banks in Africa. Akiba has also broadened its reach enabling it to provide financial services to customers of all levels including college and university students, entire families, homeowners, business owners, as well as private operations.

Akiba Commercial Bank Plc currently provides banking services at 14 branch locations in Tanzania. The bank recently acquired substantial capital injection from a strategic Investor and partner, the National Bank of Malawi. The capital as well as partnership with NBM is expected to broaden the bank's products and services and to improve its technology in service delivery through various state of art Digital Banking channels such as VISA, Internet Banking, Mobile App and Agency banking.



Our Philosophy



OUR VISION

To be the bank of choice



OUR MISSION

To provide inclusive innovative financial solutions
in the most efficient and sustainable manner



Our Products and Services

Corporate Banking



Our corporate services include Trade Finance and Vehicle & Asset Finance, complemented by expertise in investment banking, corporate lending, and treasury services – empowering your business to thrive.

Retail Banking



Our extensive array of services includes transactional banking, card and payment solutions, lending options, deposit-taking services, card-acquiring services tailored for businesses, as well as agency and technology-driven banking solutions.

Who we Serve

For corporates, institutions, and parastatals with a substantial annual turnover

For individuals, MSEs, SMEs, AMCOs, investment groups, and SACCOs

Transact wherever you are

we got you covered 24/7

Partnering with VISA, we provide a secure and convenient purchasing experience. Enjoy fraud protection and spending tracking with added security. Our VISA cards offer exclusive rewards and discounts, perfect for savvy online and POS shoppers.



Our Coverage

We are dedicated to extending our reach across every corner of the nation, leveraging state-of-the-art digital systems and a widespread network of Banking Agents (Wakala) spanning Tanzania. Our steadfast commitment to delivering superior service underscores our promise to customers.

MAIN BRANCH: AMANI PLACE | DODOMA | UBUNGO | MWANZA | MBAGALA | MBEYA | TEGETA | BUGURUNI | ARUSHA | KIJITONYAMA | MOSHI | TEMEKE | UKONGA | KARIAKOO

Treasury and Capital Markets



We offer a diverse range of services covering foreign trading and exchange, comprehensive advisory support for capital market investments, and fully integrated custodial services encompassing safekeeping, asset servicing, and meticulous record-keeping

Digital Banking



Our robust online banking platform ensures secure and convenient financial management. With user-friendly design and top-tier security, users enjoy anytime, anywhere access. Experience peace of mind knowing your money is safe and easily accessible.

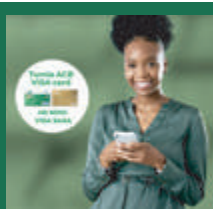
Who we Serve

For affluent individuals, along with retail, business, and corporate clientele.

Digital banking provides convenient, 24/7 access to financial services

"Akiba Commercial Bank's BIMIKA services offer customers comprehensive insurance solutions conveniently integrated into their banking experience. With seamless access to a range of insurance products, we ensure peace of mind and financial security for our clients."

ACB Mobile, with its cutting-edge technology and innovative solutions, keeps you seamlessly connected. With a wide array of mobile devices and reliable customer service, it's your ideal companion for maximizing your mobile experience.



VISA

Akiba Commercial Bank's VISA cards offer secure, convenient payment solutions with global acceptance, 3D Secure protection, and easy access to funds. Benefits include seamless transactions and enhanced security. Enjoy flexible limits and peace of mind with protected transactions.



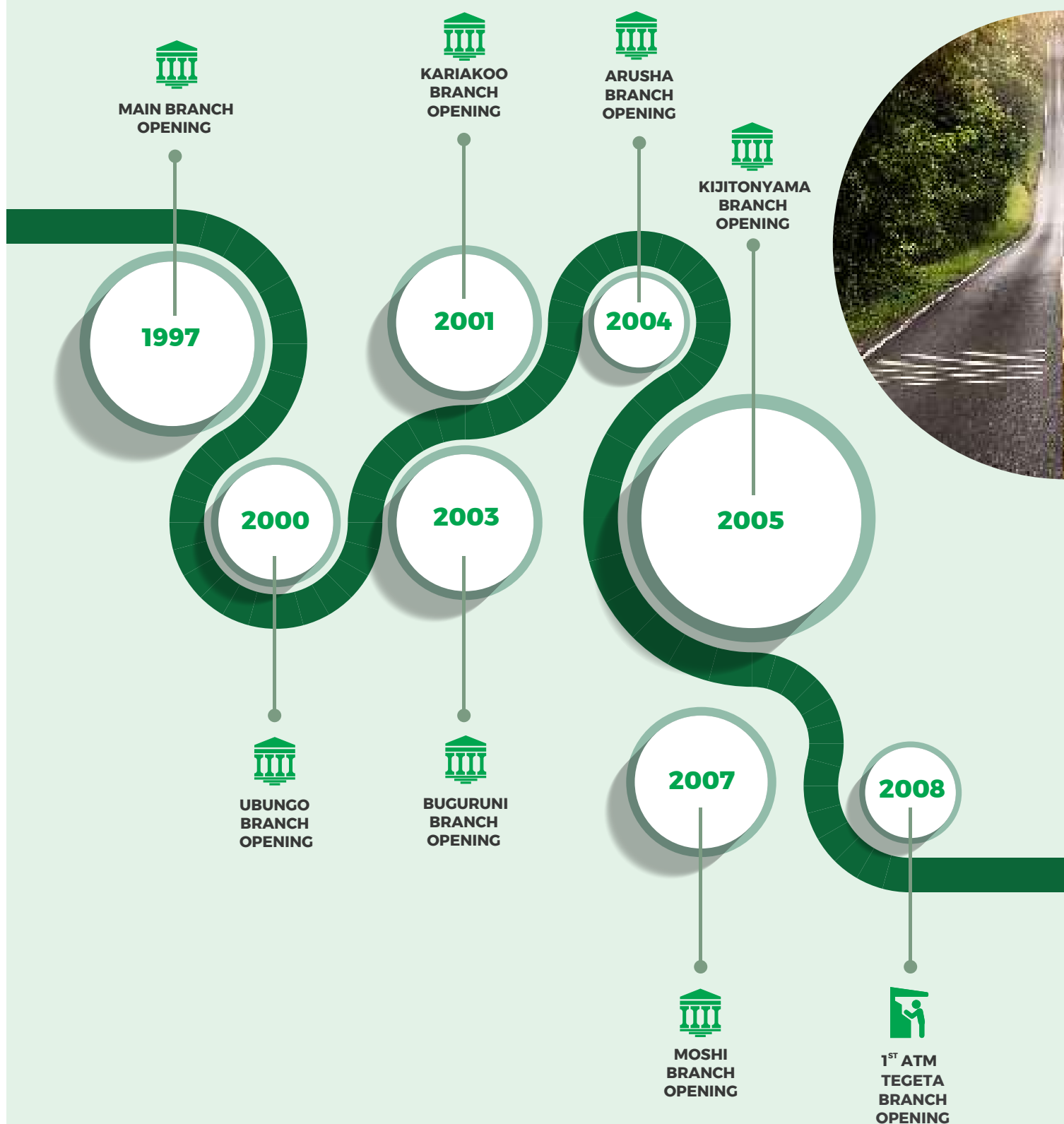
ACB Internet Banking offers convenient access to your accounts, anytime, anywhere, with features like bill payments and transfers. Our commitment is to empower Tanzanians with premier financial solutions, aiding them in achieving their goals.

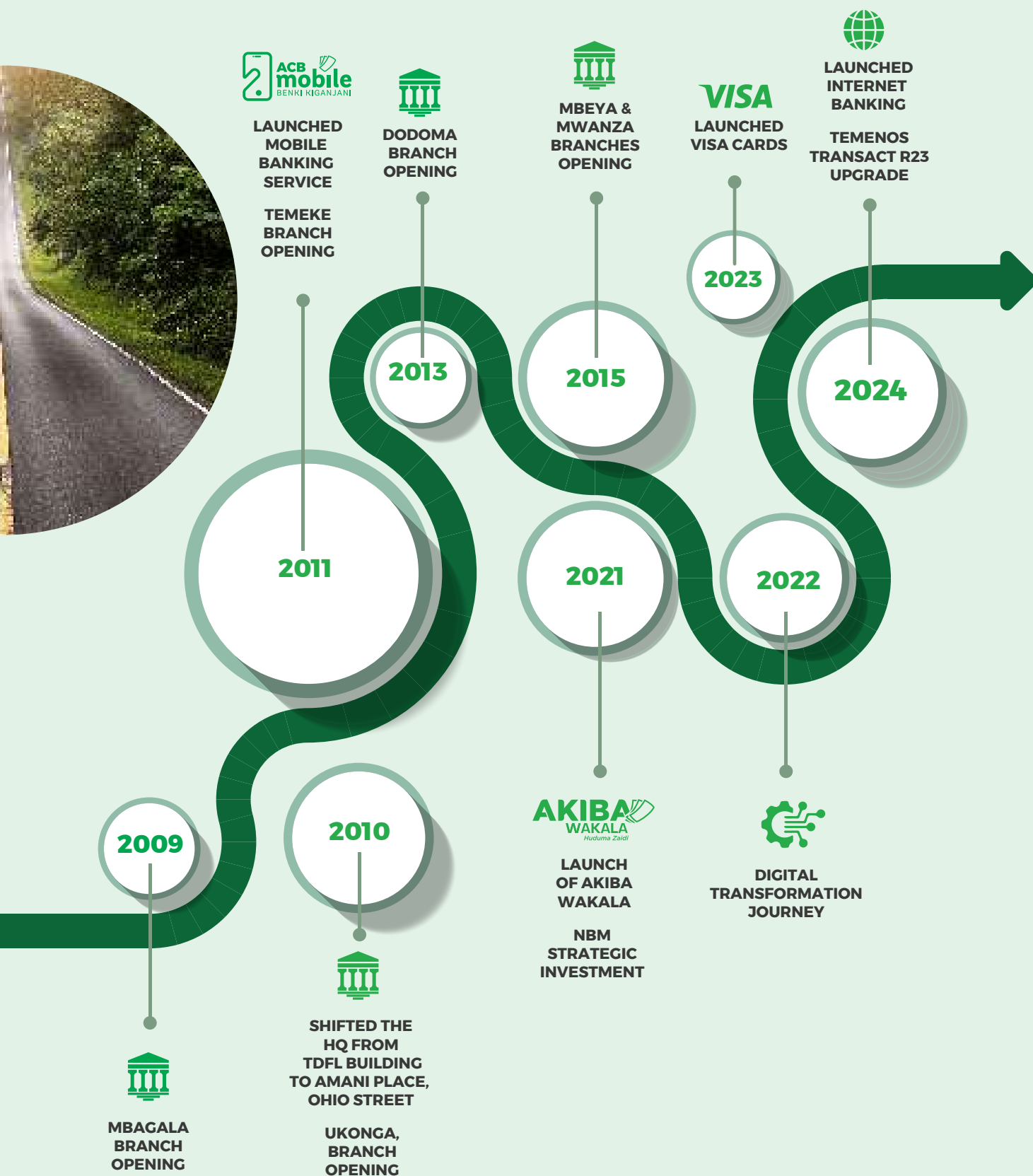


Akiba Wakala brings banking services to your community, offering convenient access right in your neighborhood.



OUR MILESTONES





SHAREHOLDER'S PROFILES



NATIONAL BANK OF MALAWI PLC

National Bank of Malawi plc (NBM plc) was established in 1971 as the result of a merger of Barclays Bank DCO (Dominion Colonial Overseas) and Standard Bank, which had its origins in the Republic of South Africa.

The merger of the two banks brought together complementary operations to provide a countrywide spread of financial products and services.

The Bank was listed on the Malawi Stock Exchange on 21st August 2000 with an over subscription of 3.4 times. It is currently one of the most liquid stocks and a key and vibrant player on the stock exchange. It is the biggest bank by assets and profitability with a mission to provide outstanding and inclusive financial solutions that deliver sustained stakeholder value.

National Bank of Malawi plc is the leading bank in Malawi with a network of 32 Service Centres and over 140 Auto Teller Machines (ATMs), providing the Bank's customers 24/7 access to their accounts. The National Bank of Malawi plc ATMs, branded Moneycard, also accept VISA and Mastercards.

To facilitate payment and to make Malawi a cashless society, the Bank has installed over 1,922 Point of Sale Devices (POS) in approximately 1,388 leading merchant shops, hotels, restaurants, hospitals and lodges. The Bank offers ease of use and convenience through its digital banking platforms - Mo626 Digital + mobile app and the BankNet 360 internet banking service.

National Bank of Malawi plc, in addition to its core operations, has diversified its business portfolio through strategic investments in various subsidiaries. These subsidiaries play a vital role in expanding the bank's reach and enhancing its service offerings.

Below is a list of the subsidiaries owned by National Bank of Malawi plc:

NBM Development Bank, NBM Pensions Administration Limited, NBM Capital Markets, Stockbrokers Malawi, United General Insurance Limited and Akiba Commercial Bank in Tanzania.



PUBLIC SERVICE SOCIAL SECURITY FUND (PSSF)

The Public Service Social Security Fund is a social security scheme established by Public Service Social Security Act of 2018. The main purpose is to collect contributions and payment of terminal benefits to employees of public service. The act shall apply in mainland Tanzania.

Employees in the public service employed after the commencement of PSSF Act. Employees who are members of the former schemes at the time of commencement of the PSSF Act. Employees employed after the commencement of the act in any specified corporation (company or corporation where the government or its agent owns more than 30% of the share

ACCION

ACCION INTERNATIONAL

ACCION International, a world pioneer in microfinance, is a private nonprofit organization with the mission of giving people the financial tools they need including microenterprise loans, business training and other financial services to help them work their way out of poverty. It was founded in 1961 and issued its first microloan in 1973 in Brazil. Over time, the organization has helped build 62 microfinance institutions in 31 countries on four continents. Those institutions are currently reaching millions of clients. In the United States, the U.S. ACCION Network is the largest microfinance lending network in the country and has served tens of thousands of clients with over \$275 million in loans since the inception of its pilot program in 1991.

ACCION International is an innovator in financial access, pioneering many of the best practices and emerging standards in the industry providing a full range of management services, technical assistance and training, as well as investment and governance support to help financial institutions build institutional capacity and financial strength. In addition,

ACCION International has created and continues to develop leading products and services that bridge the divide between commercial finance institutions and the working poor. Their business solutions focus on radically enhancing efficiency and increasing versatility through product and delivery channel diversification. ACCION International also provides support in the form of investment to micro finance institutions, helping them to build upon its other services and linking them with commercial banks and capital markets. Through equity and quasi-equity investments, as well as loan guarantees, it enables MFIs to strengthen core systems, access innovations, attract deposits, become independent of donor funds and establish financial leverage

Triodos Investment Management

Triodos Fund Foundation (Hivos-Triodos Fund) are microfinance funds managed by Triodos Investment Management, a 100% subsidiary of Triodos Bank, one of the world's leading sustainable banks. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it wants to contribute to the development of a sustainable financial sector in developing countries that is based on fair pricing, transparency, access for all and care for the earth. Triodos Investment Management manages four funds that provide finance for around 95 MFIs in Latin America, Africa, Asia and Eastern Europe and hold equity stakes in 19 leading and innovative microfinance institutions and vehicles worldwide. At year-end 2011 the total assets under management in microfinance amounted to EUR 365 million.

Triodos-Doen and Hivos-Triodos Fund both started in 1994. Triodos-Doen is a joint initiative of DOEN Foundation and Triodos Bank; Hivos-Triodos Fund is joint-initiative of Dutch development organisation Hivos and Triodos Bank. In 2011, both funds sharpened their strategy by including the sustainability themes Foods & Agriculture and Energy & Climate within the financial sector in developing countries as an additional focus.

Investment Management BV, a 100% subsidiary of Triodos Bank, the leading values-driven bank in Europe. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it wants to contribute towards the development of a sustainable financial sector in developing countries, based on the pillars of fair pricing, transparency, poverty alleviation and care for the earth. Triodos Investment Management manages four funds that provide finance for around 80 MFIs in Latin America, Africa, Asia and Eastern Europe. They hold equity stakes in 19 prominent microfinance institutions.

At year-end 2009 the total assets under management in microfinance amounted to EUR 236 million.

SHAREHOLDER'S PROFILES (CONTINUED)



Triodos Sustainable Finance Foundation

Stichting Triodos Sustainable Finance Foundation was formerly known as Triodos-Doen Foundation. On 22 January 1994, the DOEN Foundation and Triodos Bank joined to form Triodos-Doen Foundation to enable innovation that would accelerate sustainable development world-wide.

On 10 December 2013, the Articles of Association were amended, and its name was changed to Triodos Sustainable Finance Foundation. Under this name, Triodos Sustainable Finance Foundation maintains its aim to finance initiatives that accelerate sustainable development world-wide.



Erncon Holdings Limited

Erncon Holdings Limited is a family investment company established in 1993 by Ernest S. Massawe and his family for the sole purpose of managing the family's various investment activities as well as its assets.

The initial directors of the company are all members of the Massawe family. To-date the company has experienced strong growth and has a diversified portfolio covering a number of sectors including tourism, industrial gases, insurance, assurance, banking, real estate, stock brokering, fund management, leasing, mining, mining services and logistics, transportation, and telecoms.



Inter-consult Ltd

From a humble beginning in 1978 in a small Dar es salaam office offering Civil and Structural Engineering services to an ISO 9001-2008 certified multi-disciplinary consultancy firm, Inter Consult Ltd has successfully delivered a full spectrum of services that bring infrastructure projects to life.

For three decades of consistent growth, we have worked with clients in virtually all industries, in both the public and private sectors, to identify, define and deliver innovative solutions to complex problems with exceptional commitment, excellence and results that inspire confidence.

Having been involved with over 400 projects ranging from a few hundred thousand to multi-million US Dollars in value, Inter-Consult has become a leading independent Tanzania based multi-disciplinary consultancy that is fully owned and managed by Tanzanians.

At the core of our mission is a pledge to our clients to provide the highest quality consulting services on time and for fair market value in all aspects of the construction industry including Architecture and Town Planning, Quantity Surveying, Structural, Mechanical and Electrical Engineering. We also offer services in Highway Engineering, Water Supply and Sanitation, Geotechnical and Materials Engineering, ICT and Project Management. By positioning ourselves as a dynamic and growing business with a turnover of TZS 5 billion, focused on meeting the client's changing needs, we have attained good performance standards. We effectively handle all stages of project management - from feasibility studies, planning and design to construction supervision that extends to commissioning.

We have also invested in companies like Akiba Commercial Bank Plc, Inter Press Ltd whose vision is towards poverty alleviation.



Incofin CVSO

200
Shareholders

After 20 years Belgium's Incofin CVSO strives more than ever to achieve a double (financial and social) return. This balanced vision on investing convinced almost 200 new shareholders to join during 2011. It invests in MFIs that make a real difference to the quality of life of their stakeholders, their staff and their customers. Through the monitoring of a number of key social parameters, including the level and quality of service and the treatment of the environment and contribution to society, it manages to quantify an MFI's social performance. For its investments, Incofin CVSO adopts a set of well-defined criteria, taking into account the impact of the microfinance institution on the local economy, the quality of its management, its financial situation, its track record, and the company's outlook. For each investment dossier, a thorough due diligence is executed of the microfinance institution on site.

After the investment, the investment file is carefully followed up. Incofin CVSO is a shareholder in Akiba Commercial Bank Plc since 2003 and has, since the beginning, also taken up an active role in the board. MFIs can find in Incofin a partner who actively works together with them to find a solution that suits them best. The fund is managed by Incofin Investment Management, a manager of 6 microfinance investment funds with EUR 300 million assets under management. Incofin Investment Management is taking care of this job with an international and multilingual team of 37 experts who are at the MFIs' disposal. Incofin CVSO currently cooperates with 30 partner institutions in 21 countries, reaching out to 1.8 million micro entrepreneurs.

SIDI Societe D'investissement Et De Development International

SIDI was set up in 1983 in France as a private company limited by shares, on the initiative of the Catholic Committee against Hunger and for Development (CCFD). In the North SIDI mobilizes funds from institutions and individuals, through its shareholding and an ethical savings fund. These funds are used to finance microfinance and smallholder producer organizations in the South such as credit and savings unions, microfinance banks and companies, specialized NGOs, small-holder producer cooperatives and companies, and farmers' organizations. SIDI gives priority to institutions that need financial and institutional strengthening and is active mainly in rural areas where institutions provide financial services to small farmers and micro-enterprises. SIDI's share capital, 13 million Euros, is used to provide various financial products to partner institutions such as equity investments, local and hard currency loans, local bank guarantees. The revenue from the ethical fund enables SIDI to provide regular follow up and technical assistance to its partners in order to strengthen their financial and institutional viability and improve their services to their clients.

End of December 2010, SIDI's portfolio was 10,4 million euros, of which 43% invested in Africa, 32% in Latin America, 6% in Asia, 9% in the Mediterranean basin, 9% in Eastern Europe, and 1% in the Caribbean. Amongst its founding shareholders are the French Development Agency, the Caisse des Dépôts et Consignations and the Crédit Coopératif (two French banks). SIDI's financial and partnership relations are based on two main principles: long-term commitment and risk-sharing. SIDI has been a founding shareholder of various other funds such as Profund, La Cif 1, MAF (Asia) and more recently

SEFEA (Eastern Europe), SMEAF (East Africa), FOPEPRO (Latin America). SIDI together with two European allies, ALTERFIN Belgium and ETIMOS Italy, is about to launch FEFISOL fund, a 30 million EUR fund dedicated to financing rural microfinance institutions and producer organizations in Sub-Saharan Africa. Triodos-Doen Foundation and Hivos-Triodos Fund Foundation Triodos-Doen and Hivos-Triodos Fund both started in 1994. Triodos-Doen is a joint initiative of Doen Foundation and Triodos Bank, and Hivos-Triodos Fund is a joint-initiative of the Dutch development organization Hivos and Triodos Bank. In 2011, both funds sharpened their strategy by including the sustainability themes foods & agriculture and energy & climate within the financial sector in developing countries as an additional focus.

The microfinance funds Triodos-Doen Foundation (Triodos-Doen) and Hivos-Triodos Fund Foundation (Hivos-Triodos Fund) are managed by Triodos Investment Management, a 100% subsidiary of Triodos Bank, one of the world's leading sustainable banks. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it seeks to contribute to the development of a sustainable financial sector in developing countries based on fair pricing, transparency, access for all and care for the earth. Triodos Investment Management manages four funds that provide finance for around 95 MFIs in Latin America, Africa, Asia and Eastern Europe, and holds equity stakes in 19 leading and innovative microfinance institutions and vehicles worldwide.

SHAREHOLDER'S PROFILES (CONTINUED)




Founded in 1970, FMO is a public-private development bank. The Dutch government is the major shareholder, holding a 51% stake. Other shareholders include large Dutch banks, employers' associations, trade unions and individual investors. Rated triple-A by Standard & Poor's, FMO complies with internationally-accepted banking standards and is supervised by the Dutch Central Bank. Its solid profile and high quality portfolio allows the bank to invest in higher risk markets, either with its own capital or on behalf of the Dutch government.

FMO believes a strong private sector leads to economic and social development, empowering people to employ their skills and improve their quality of life. It specializes in sectors where its contribution can have the highest long-term impact including financial institutions, energy, housing and agribusiness, food and water. When financing companies and projects in other sectors such as telecoms and infrastructure, the bank works with a worldwide network of partners with thorough expertise in that area. With an investment portfolio of EUR 5.9bn, it is one of the largest European bilateral private sector development banks.

FMO principally provides long-term finance as well as shorter-term project financing, working with clients to understand their specific needs, and tailoring financial packages to fit them. The bank's participation often acts as a catalyst – attracting interest from other suitable investors who would otherwise avoid what are still considered higher-risk projects.



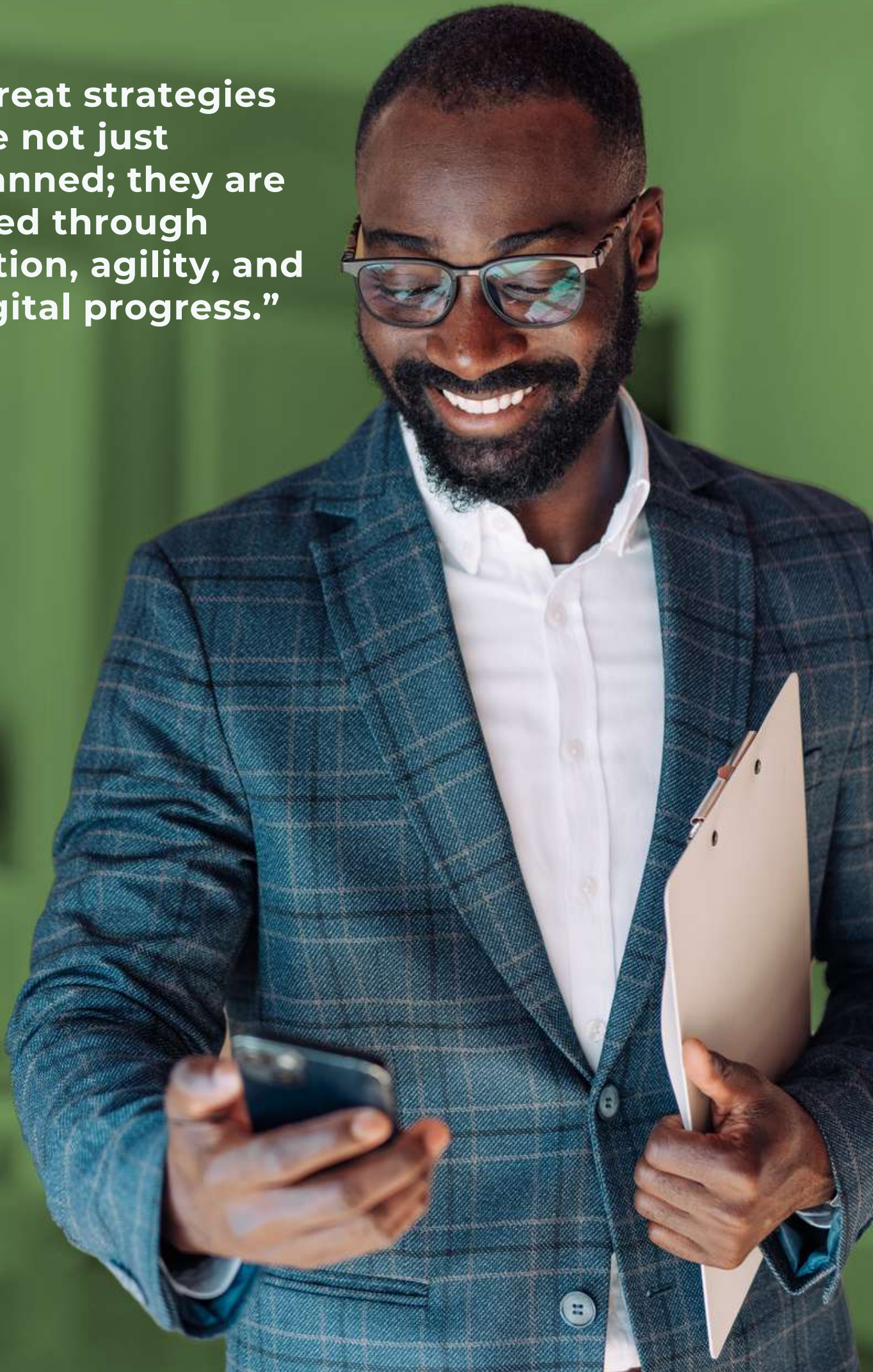

The vision of establishing Akiba Commercial Bank Plc was conceived by a discussion group which established itself in the late 80s comprising of individuals with varied interests and background brought together by a unified vision to see indigenous Tanzanians empowered economically. The group realized that to achieve genuine economic uplift an institution would need to be established on a sound, reliable foundation to serve this paramount purpose.

In that period, the very idea of an indigenous owned and operated financial institution seemed to many a far-fetched dream, thus galvanizing faith and support in such a venture proved but a mountain to move. Even the international community represented in the country at the time didn't harbor interest in addressing the challenges that such an institution would ultimately help solve among ordinary citizens.

Nevertheless, the group's determination persevered and from that strand of adamancy Akiba Commercial Bank Plc was born. Following its registration as a company, the group proceeded to seek prospective investors in Dar es Salaam, Mwanza, Arusha, Moshi, Mbeya, and Dodoma. This effort didn't yield much fruit as a consequence of skepticism borne out the belief that local citizens couldn't establish, own, and operate their own bank. It was then decided to pursue local public corporations to own the bank and share its vision with the group. Only three corporations, NIC, PPF, and TDFL responded proactively, however their subscriptions couldn't satisfy the required capital threshold, leaving the entire effort still wanting.

This unique situation eventually compelled the group to invite foreign entities into ownership of the bank but with conditions favourable to the interests of indigenous investors first. A few institutions accepted the arrangement, and these were FMO and Triodos Bank of the Netherlands, and later INCOFIN of Belgium, and SIDI of France. It was this partnership that served as the bedrock for the successful rise of Akiba Commercial Bank Plc, a bank that has since grown from strength to strength and is now focusing on becoming a significant institution in the banking sector in Tanzania.

**“Great strategies
are not just
planned; they are
lived through
action, agility, and
digital progress.”**



“Great strategies are not just planned—they’re lived through action, agility, and digital progress.”





03.

ACHIEVING OUR STRATEGY

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CHAIRPERSON'S STATEMENT



Non-interest income amounted to **TZS 6,441 million compared to TZS 5,346 million in 2023.**

This is an improvement of 20% mainly driven by the increase in foreign exchange income which had more than doubled compared to the previous year.

GLOBAL ECONOMIC OVERVIEW

The global economy exhibited resilience in 2024, navigating complex challenges including inflationary pressures, geopolitical uncertainties and fluctuating commodity prices. The World Bank projected global growth at 2.9 percent, slightly improving from 2.6 percent in 2023, while the International Monetary Fund (IMF) estimated a growth rate of 3.3 percent. Sub-Saharan Africa experienced modest growth, recorded at 3.5 percent, an improvement from 3.3 percent in 2023, driven by increased infrastructure investment and economic reforms.

Inflationary trends showed signs of stability in many economies due to prudent monetary policies. The IMF reported that inflation in advanced economies declined to 5.4 percent from 6.8 percent in 2023, though still above target levels. The East African Community (EAC) and Southern African Development Community (SADC) countries generally met their inflation convergence thresholds. Commodity markets experienced mixed trends, with oil prices averaging USD 82 per barrel, influenced by OPEC+ production adjustments and fluctuating global demand.

Private sector credit expanded by

16.4 percent, reflecting increased

lending to businesses and individual borrowers.

TANZANIA ECONOMIC PERFORMANCE

Tanzania economy demonstrated strong resilience, achieving a growth rate of 5.3 percent in 2024, surpassing the projected 5.1 percent. Key growth drivers included agriculture, construction, tourism and mining. The Zanzibar economy grew at an accelerated pace of 7.8 percent, fueled by the tourism sector rebound and expansion in real estate and construction.

Inflationary pressures remained subdued in 2024, due to monetary policy action, adequate food, prudent fiscal policy and moderation of global energy prices. Headline inflation in the Mainland Tanzania was 3.1 percent in 2024, lower compared with 3.8 percent in 2023, below the country target of 5 percent and consistent with SADC and EAC convergence criteria.

Private sector credit expanded by 16.4 percent, reflecting increased lending to businesses and individual borrowers. The current account deficit improved due to strong foreign exchange inflows from exports and remittances, while foreign reserves stood at USD 5.8 billion, covering approximately 4.6 months of projected imports.

FINANCIAL PERFORMANCE

During the year under review, the Bank recorded a loss before tax of TZS 5,823 million compared with a loss before tax of 1,540 million recorded in 2023. This had mainly resulted from staff rationalization costs and a liquidity squeeze in the market causing an increase in interest expense, provision for bad debts and lower recoveries from written-off loans.

Interest income during the year amounted to TZS 29,796 million compared to TZS 28,403 million in 2023, representing an increase of TZS 1,396 million, which is 5%. This increase was mainly attributed to the growth of the consumer loan book.

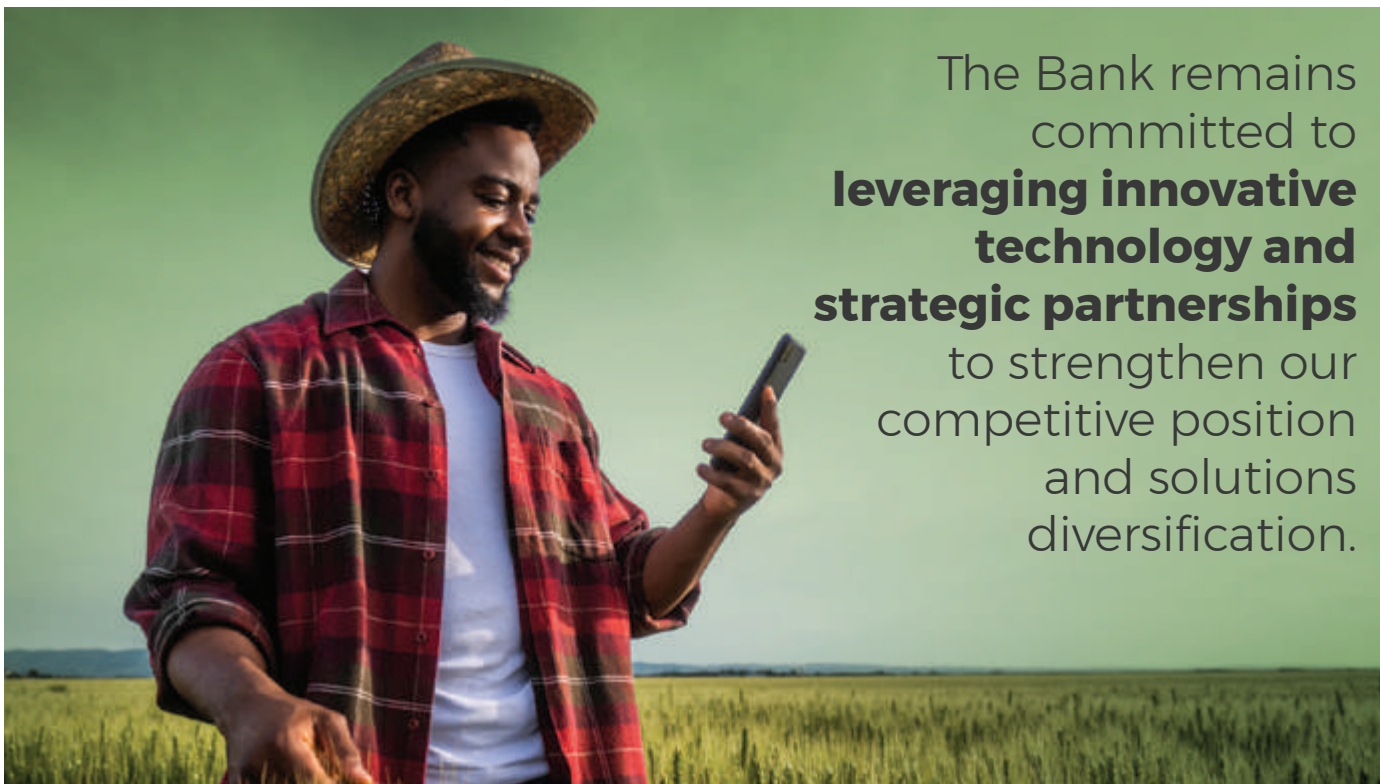


Interest expense during the year amounted to TZS 9,821 million, as compared to TZS 8,232 million in 2023, representing an increase of TZS 1,589 million or 19%. This increase in interest expense is mainly attributed to higher interest rates experienced in the second half of the year due to liquidity squeeze in the market.

Non-interest income amounted to TZS 6,441 million compared to TZS 5,346 million in 2023. This is an improvement of 20% mainly driven by the increase in foreign exchange income which had more than doubled compared to the previous year.

Operating expenses amounted to TZS 29,673 million compared to TZS 28,270 million in 2023, representing an increase of TZS 1,402 million or 5%. This increase was a result of the staff rationalization costs and provision prior year tax liabilities that have low chances of winning the objection cases.

Customer deposits increased by 5% from TZS 152,770 million in 2023 to TZS 160,078 million, attributed to increases in time and current



The Bank remains committed to **leveraging innovative technology and strategic partnerships** to strengthen our competitive position and solutions diversification.

accounts deposits. The Bank remains committed to continuing to focus on the growth of current and savings deposits as part of the drive to have sustainable deposits mix and reduce cost of funds.

Net loans and advances remained largely flat due to liquidity challenges experienced in the second half of the year. Concentration risk has significantly reduced to acceptable levels with personal lending contributing 42% of the entire loan book. The Bank will continue to focus on the growth of quality higher-yield Biashara loans even as we diversify the portfolio into corporate customers to improve margins and profitability.

BOARD OF DIRECTORS

The Bank is governed by a dedicated and cohesive Board of Directors, composed entirely of non-executive members who collectively oversee the Bank's long-term success. The Board operates with a firm commitment to good governance, strong leadership and ethical practices, recognizing their vital role in earning stakeholders trust, sustaining performance and safeguarding shareholders value.

Throughout the year under review, the composition of the Board of Directors remained unchanged.

STRATEGY AND PROSPECTS

In line with the current 5-year strategic plan, in 2024 the Bank finalized the business rationalization exercise, the upgrade of the core banking system and the launch of the remaining digital products and channels. These are expected to translate to operational efficiency towards profitability and compliance with regulatory requirements on the cost-to-income ratio and non-performing loans.

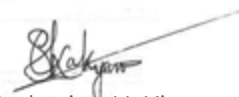
As we close the current strategic plan period in 2025, the Bank will prioritize culture transformation to drive technological adoption, customer centricity and accountability for deposits mobilization, assets quality and sustainable revenue growth. The Bank remains committed to leveraging innovative technology and strategic partnerships to strengthen our competitive position and solutions diversification. This will be supported by the robust and diversified economy that is expected

to grow at 5.4 percent in 2025 with strong performance in key sectors such as agriculture, infrastructure and tourism.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I extend my sincere gratitude to our valued customers, the Bank of Tanzania, the Government and all stakeholders for your unwavering support and trust which has been instrumental in our progress.

Finally, I wish to extend my utmost appreciation to management and staff members for their hard work, dedication, loyalty and perseverance during the year. I am confident that the Board can count on your continued commitment to embedding a strong performance culture that will be critical in the turnaround of the Bank to profitability and sustainability.



Catherine N. Kimaryo
Chairperson
Akiba Commercial Bank Plc

MANAGING DIRECTOR'S STATEMENT



Customer deposits grew by 5% from TZS 152,770 million in 2023 to TZS 160,078 million.

This was due to increased customer confidence in the Bank.

INTRODUCTION

The year 2024 marked a transformative phase for the Bank, building on and finalizing key initiatives that were initiated in 2023. Our commitment to executing a turnaround strategy progressed well despite internal and external challenges, with rationalized business operations and enhanced digital and technological capabilities.

We focused on expanding our revenue lines in treasury and corporate banking, increasing operational efficiencies, and optimizing risk management for sustainable growth. By prioritizing automation, digital transformation, and strategic business realignment, we reinforced our position in the banking industry. Compliance with regulatory requirements, particularly in capital adequacy and risk asset management, remained a top priority. I am pleased to share with you an in-depth review of our performance, strategic milestones, and our vision for the future.

INDUSTRY DEVELOPMENTS

The financial sector remained stable throughout 2024 despite external economic pressures, including foreign exchange volatility and inflationary trends. The banking sector continued to demonstrate resilience, with robust liquidity, well-capitalized institutions, and a stable lending environment.

Banks increasingly leveraged digital platforms to enhance service delivery, improve financial inclusion, and expand access to banking solutions. The expansion of agency banking, mobile banking, and innovative digital payment systems continued to drive growth in deposits, loans, and financial transactions.

Regulatory authorities, including the Bank of Tanzania, introduced new measures to enhance transparency, financial inclusion and stability. These included adjustments to transaction costs, enhanced consumer protection frameworks, and incentives for banks to promote

Empowering Progress Through Digital Innovation



lending to priority economic sectors such as agriculture, SMEs, and manufacturing. The sector also benefited from technological advancements that enhanced risk assessment, fraud prevention, and customer experience.

FINANCIAL RESULTS

During the year under review, the Bank recorded a loss before tax of TZS 5,823 million compared with a loss before tax of 1,540 million recorded in 2023. The major expenses incurred were provision of bad debts, provisions for prior years' tax liabilities and staff rationalization costs.

Interest income during the year amounted to TZS 29,796 million compared to TZS 28,403 million in the previous year, representing an increase of TZS 1,396 million which is 5%. This increase was driven by growth in the consumer loan book. Interest expense during the year amounted to TZS 9,821 million, as compared to TZS 8,232 million in the prior year, representing an increase of TZS 1,589 million or 19%. This increase in interest expense is mainly attributed to higher interest rates experienced in the second half of the year due to liquidity squeeze. Non-interest income amounted to TZS 6,441 million compared to TZS 5,346 million in the previous year, showing an increase of 20%. This was mainly due to the increase in

foreign exchange income which has more than doubled compared to the previous year.

Operating expenses amounted to TZS 29,673 million compared to TZS 28,270 million in the prior year, representing an increase of TZS 1,402 million or 5%. This increase was mainly staff rationalization costs and provision for prior year tax liabilities with a low chance of winning objection cases.

Customer deposits grew by 5% from TZS 152,770 million in 2023 to TZS 160,078 million. This was due to increased customer confidence in the Bank. The Bank remains committed to continuing to focus on the growing current and savings deposits as part of the drive to reduce the cost of funding. Net loans and advances increased slightly by 1% due to liquidity challenges experienced in the second half of the year. The Bank

Interest income during the year amounted to **TZS 29,796 million** compared to TZS 28,403 million in the previous year, representing an **increase of TZS 1,396 million which is 5%.**



We successfully launched an upgraded mobile banking platform with new features, including instant interbank transfers, expanded bill payment options, and enhanced security protocols. Additionally, the official rollout of our new VISA debit cards, internet banking, and agency banking solutions further strengthened our digital banking ecosystem.

is focusing on mobilizing deposits through different campaigns to fund the growth of quality loan portfolio in the higher yielding business segment as well as corporate and personal segments for sustainability. The Bank has continued to diversify the loan book in 2024 with personal lending contributing 42% of the portfolio.

Our digital transformation journey took significant strides in 2024. The upgrade of our Core Banking System (T24) progressed as planned and went live on 18th November 2024. We successfully launched an upgraded mobile banking platform with new features, including instant interbank transfers, expanded bill payment options, and enhanced security protocols. Additionally, the official rollout of our new VISA debit cards, internet banking, and agency banking solutions further strengthened our digital banking ecosystem.

FUTURE OUTLOOK

Looking ahead, the Bank is well-positioned for sustained profitability and growth. The full realization of our business rationalization strategy, expected in early 2025, will allow us to further optimize our cost structure, enhance revenue streams, and achieve a stronger financial standing. Our strategic priorities for 2025 include:

- **Deposits mobilization** to fund business and corporate lending for revenue growth now that the business has been appropriately rationalized.
- **Deepening digital banking services** by leveraging fintech partnerships and expanding mobile and internet banking capabilities.
- **Strengthening risk management frameworks** to ensure asset quality and financial stability.
- **Investing in human capital development** through continuous training and capacity building and new corporate culture of high performance, accountability and customer centricity.

ACKNOWLEDGEMENT

I extend my sincere appreciation to the Chairperson and the Board of Directors for their strategic guidance, our senior management team for their leadership, and all employees for their relentless dedication and commitment to excellence. To our valued customers, shareholders, investors, and partners, your trust and support remain the cornerstone of our success. We look forward to 2025 with renewed optimism and a shared vision of creating lasting value and contributing to Tanzania's economic prosperity.



Silvest Arumasi
Managing Director
Akiba Commercial Bank Plc

"Good governance is like a game of chess—strategic, collaborative, and built on trust."





04.

CORPORATE GOVERNANCE

Our Board of Directors

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OUR BOARD OF DIRECTORS



Catherine Kimaryo
Chairperson



Macfussy Kawawa
Director



Harold Jiya
Director



Masauko Katsala
Director



Douglas Kamwendo
Director



Benedict Mahona
Director



Andrew Massawe
Director



Prof. Josephat Lotto
Director

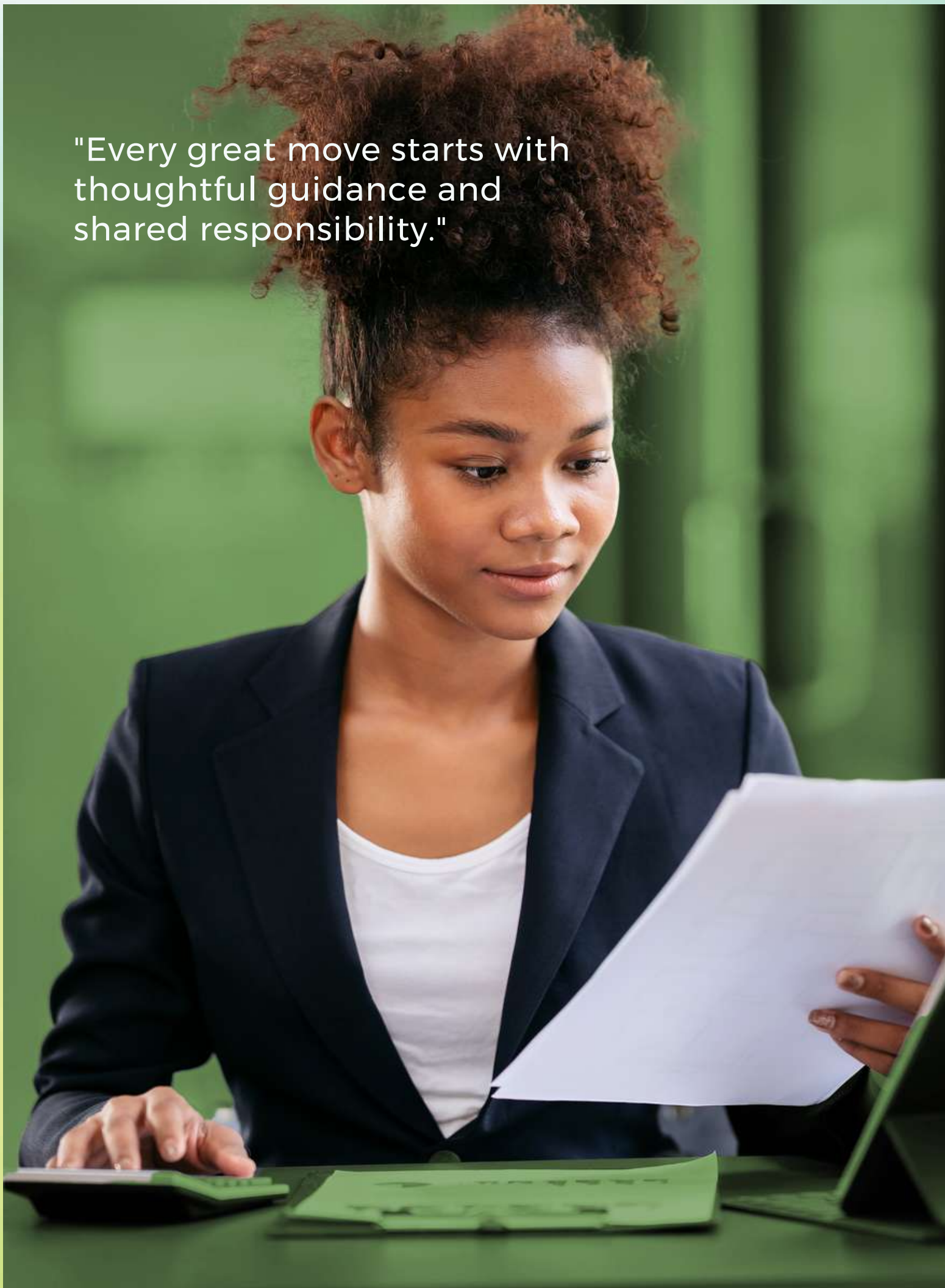


Rukia Adam
Director



Zunzo Mitole
Director

"Every great move starts with thoughtful guidance and shared responsibility."





05.

FINANCIAL STATEMENTS

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CORPORATE INFORMATION

REGISTERED OFFICE	3rd Floor, Amani Place, Ohio Street P. O. Box 669 Dar es Salaam, Tanzania
MANAGING DIRECTOR	Silvest Uisso Arumasi 3rd Floor, Amani Place, Ohio Street P. O. Box 669 Dar es Salaam, Tanzania
COMPANY SECRETARY	David Wasonga 3rd Floor, Amani Place, Ohio Street P. O. Box 669 Dar es Salaam, Tanzania
AUDITOR	KPMG The Luminary Plot No. 574, Haile Selassie Road Msasani Peninsula Area P. O. Box 1160 Dar es Salaam, Tanzania TIN 101-269-027, VAT REG No. 10-007190R NBAA Reg. No. PF 020
LEGAL ADVISORS	Rod and Shepherd Advocates 5th Floor, Jangid Plaza Plot G6, Chabruma Street P. O. Box 63236 Dar es Salaam, Tanzania
HOLDING COMPANY	National Bank of Malawi Plc (Incorporated in Malawi)
ULTIMATE HOLDING COMPANY	Press Corporation Plc (Incorporated in Malawi)
BANKERS	Bank of Tanzania No. 10 Mirambo Street P. O. Box 2939 Dar es Salaam, Tanzania
CORRESPONDENT BANKERS	National Bank of Malawi Plc NBM Towers, 7 Henderson Street P. O. Box 945 Blantyre, Malawi BOA France 20 rue de St Pétersbourg 75008 PARIS FRANCE

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024

1. INTRODUCTION

The Board of Directors of Akiba Commercial Bank Plc submit their report and the audited financial statements for the year ended 31 December 2024 which disclose the state of affairs of Akiba Commercial Bank Plc ("the Bank").

2. INCORPORATION

The Bank is incorporated in Tanzania under Companies Act, 2002, domiciled in Tanzania as a Public Company Limited by shares.

3. PRINCIPAL ACTIVITIES

The principal activity of the Bank is the provision of banking and related services stipulated by the Banking and Financial Institutions Act, 2006. There has been no change in the principal activities of the Bank during the financial year ended 31 December 2024.

4. MISSION AND VISION

Vision statement:

To be the bank of choice.

Mission statement:

To provide inclusive, innovative financial solutions in the most efficient and sustainable manner.

5. THE BANK'S OPERATING MODEL

Banking services

The Bank provides banking services to individuals and businesses, including loans and advances, mortgages, payments, savings, investments, insurance, advice and asset management. The Bank's target market is small and medium enterprises as well as individuals and corporate clients. The Bank continues to develop various innovative products in the short, medium and long term. The details of the Bank's current and future products are included in Note 7 and 9 of this report by those charged with governance.

In addition to banking services to customers, the Bank also provides and receives short term financing to/from local and international banks through interbank overnight lending platform.

Interest, fees and commissions

The Bank earns interest income from loans and advances, interbank overnight lending and investments in government securities as well as from fees and commissions income. Loans and advances, investment in government securities and interbank overnight lending are funded through customer deposits, interbank borrowing and capital. The Bank takes all measures to ensure that risks associated with these activities are managed properly. The Bank also receives fees and commissions in return for various services extended to its customers.

Use of funds generated

Income generated from day-to-day operations of the bank is used to meet its operating costs, reinvestment in business expansion and payment of returns to its investors.

Competition and regulatory environment

The Bank operates in a competitive environment both in products and size. In order to meet the competition, the Bank strives to ensure that its products offerings are attractive to different types of customers.

The regulatory environment has been stable during the year. The Bank of Tanzania and the Government continued to support the banking industry to ensure compliance and stability of the industry. The Bank of Tanzania issued several guidelines which were aimed at ensuring that the banking sector is resilient through the use of enhanced risk management systems. One of the key guidelines is on stress testing which is conducted to evaluate potential vulnerability to unlikely but plausible events in the financial and macroeconomic environment. The implementation of the guidelines has become very useful to the Bank as it is a forward-looking tool that helps to predict future outcomes that will assist management to be proactive in its strategies.

Compliance with laws and regulations

The Bank's operating model is such that, it ensures voluntary compliance with laws and regulations. These include regulations and circulars issued by the Bank of Tanzania from time to time, compliance with tax laws, employment laws and environmental related regulations such as those issued by the Occupational Safety and Health Authority (OSHA).

The Bank remitted all withholding taxes which include skill and development levy, Pay As You Earn (PAYE) for its employees, withholding tax on interest and other services.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5 THE BANK'S OPERATING MODEL (CONTINUED)

The Bank has also ensured that employment-related contributions are made on time. These include social security contributions to National Social Security Fund (NSSF) and the Workers Compensation Fund (WCF).

Social and environmental considerations

The Bank as a good socially responsible citizen conducts its business in a manner that ensures that environmental sustainability is observed. The Bank's screening processes consider environmental impact of the funded business and where society and environment are impacted negatively, the Bank refrains from funding such businesses.

6. STAKEHOLDERS ENGAGEMENT

The Bank believes in acting as a good corporate citizen by supporting the communities in which it operates to foster socio-economic development. As part of the Bank's corporate social responsibility (CSR) activities, the bank has been consistently supporting the communities it serves with the overall aim of improving the livelihoods of our patrons and other stakeholders. Our CSR agenda is rooted in three vital pillars which are education, health, and environment.

7. BUSINESS HIGHLIGHTS

The Bank's business remains concentrated in retail banking serving small and medium enterprises. However, there were efforts during the year to expand in the personal and corporate banking space. The Bank continued its efforts to implement products and services such as Visa cards and digital banking channels that will enhance customer experience and attract new customers in these segments. These 'enablers' will make it easier for customers to transact and keep funds within the Bank, thereby expanding its deposit base.

Corporate business

The Bank continued to expand its business in the corporate banking space. Digital banking channels such as internet banking and mobile app are now fully functional. This has enabled the bank to serve corporate clients seamlessly hence boosting transactional deposit volumes. New products in the corporate banking space have been introduced and included in various policy documents to facilitate smooth execution strategy in this segment.

Business banking

The Bank's business has remained predominantly in this segment. The bank does not have ambitious growth targets for this sector, but rather to restore the book at previous levels with good quality loans in order to minimize non-performing loans (NPLs), having lost some ground in this segment during the year.

Personal banking

Personal banking continued to grow strongly during the year, with additional schemes with different government institutions signed in 2024. For the year 2025, the plan is to maintain the loan book and focus on cheap deposits mobilization to lower cost of funds for this segment. The recent introduction of Visa cards, an upgrade of the mobile application and a switch to own agency banking should help growth of the deposit base in this segment.

8. RESOURCES AND RESOURCE REQUIREMENTS

In order for the Bank to create value, a number of resources are required. The resource requirements are assessed continuously as the Bank implements its strategic activities. In order to sustain its presence and create value both to the shareholders and the nation as a whole, the following considerations are made as far as resources and resource requirements are concerned:

Human resources

This is the most valuable resource any organization needs. The Bank's strategy is not only ensuring it has adequate numbers of staff but the right quality in terms of experience and qualifications. This is achieved by ensuring employees are recruited on merit, are afforded career development opportunities and are fairly and competitively remunerated. In addition, we ensure that our employees work in a friendly, conducive, healthy and safe environment. The Bank has a medical scheme, group accident cover, life insurance and other wellness benefits that are aimed at ensuring that employees stay healthy and safe in the workplace.

Financial resources

The second most important aspect of resources is access to finance. These include cash, debt and equity that enable an organization to provide financial services. We will continue with our efforts to preserve the financial value of the Bank in 2025 by continuing the turnaround in performance, with forecasts indicating that the Bank will sustainably generate profits, thereby increasing the financial value of the Bank. This will be achieved with further growth in both interest and non-interest income as well as with continued cost containment.

Structures

The Bank has implemented structural changes to align with the new business model. The various structure reviews have taken into account the need to enhance coordination between departments, improve on internal controls and increase efficiency on services delivered.

Empowering Progress Through Digital Innovation

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

10. THE BANK'S GOAL

The Bank's goal is to efficiently continue to sustain offering innovative and inclusive products and services to customers by revamping the existing products and services and introducing new ones based on customers' demand. The Bank will strive to meet customers' expectations by conducting market research, training its staff in the areas of sales and customer service; and improving its internal processes through the use of interdepartmental service level agreements (SLAs) and acquiring systems that will improve provision of services to customers.

11. TREASURY POLICIES AND OBJECTIVES

The Bank maintains a well-documented treasury and investment policy whereby treasury operations are defined to support the Bank in providing prudent risk management with regard to liquidity, foreign exchange and other financial risks within the balance sheet of the Bank. It is the aim of these operations to optimize the return of Banks' capital within the risk parameters set by the Assets and Liabilities Committee (ALCO) and approved by the Board of Directors. The overall objective of the treasury and investment policy is to ensure efficient and profitable treasury operations.

Liquidity Risk Policy

This policy sets out the principles guiding the Bank towards managing liquidity. Liquidity risk is the potential for loss to an institution arising from either inability to meet its obligations as they fall due or to fund increase in assets without incurring unacceptable cost or losses (Bank of Tanzania Risk Management Guidelines for Banks and Financial Institutions, 2010).

The Bank is required to measure, monitor and manage on-balance sheet and off-balance sheet liquidity mismatch risk taking cognizance of regulatory requirements, business as usual liquidity conditions, stress liquidity scenarios, guidelines and limits as set by the ALCO, following consultation and approval by Board Risk and Compliance Committee and the Board.

Market Risk Policy

This policy sets out the control framework for market risk within the Bank. Market risk is defined as the risk that the Bank's earnings and capital or its ability to meet business objectives will be adversely affected by changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

12. SERVICE PERFORMANCE OBJECTIVES

During the year under review the Bank continued to enhance customer experience by among other things improving products and services as well as driving digital services with state of art technology that guarantees easy access, convenience and time saving. The organizational re-structuring also considered establishment of customer experience unit that deals with all matters relating to customer care, service delivery and complaints handling all gearing towards improvement of customers' experience.

13. POLITICAL LANDSCAPE

The year 2024 has witnessed a stable political environment which has been key to improved performance of the economy and businesses. There has been a continuation of key infrastructure projects, improved diplomatic relations as well as further improvement in the business environment.

14. FINANCIAL REVIEW

Particulars	2024	2023	Change	Change
	TZS '000	TZS '000	TZS '000	%
Total income	36,239,876	33,748,602	2,491,274	7
Total expenses	(42,063,138)	(35,288,808)	(6,774,330)	19
Loss before tax	(5,823,262)	(1,540,206)	(4,283,056)	-278
Income taxes	-	(473,185)	473,185	>100
Loss after tax	(5,823,262)	(2,013,391)	(3,809,871)	-189

Figures in Thousands of Tanzanian Shillings

The Bank's results are set out on pages 27 to 30 of these financial statements. During the year under review, the Bank recorded a loss before tax of TZS 5,823 million compared with a loss before tax of 1,540 million recorded in 2023. This is due to expenses incurred for provision of bad debts and retrenchment costs to staff.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

14. FINANCIAL REVIEW (CONTINUED)

Interest income

Interest income during the year amounted to TZS 29,798 million compared to TZS 28,403 million in the previous year, representing an increase of TZS 1,396 million which is 5%. This increase was driven by growth of the consumer loan book.

Interest expense

Interest expense during the year amounted to TZS 9,821 million, as compared to TZS 8,232 million in the prior year, representing an increase of TZS 1,589 million or 19%. This increase in interest expense is mainly attributed to higher interest rates experienced in the second half of the year due to liquidity squeeze.

Net interest income

Net interest income (interest income less interest expense) during the year amounted to TZS 19,978 million, compared to TZS 20,171 million in prior year, representing a decrease of TZS 193 million or 1%.

Non-interest income

Non-interest income amounted to TZS 6,441 million compared to TZS 5,346 million in the previous year, showing increase of 20%. This was mainly due to increase in foreign exchange income which has more than doubled compared to prior year.

Operating expenses

Operating expenses include employee benefits, general and administration expenses as well as depreciation and amortisation. Operating expenses amounted to TZS 29,673 million compared to TZS 28,270 million in prior year, representing an increase of TZS 1,402 million or 5%. This increase was mainly retrenchment costs and provision of prior year tax liabilities with low chance of winning the objection case.

Review of financial position

Deposits

Customer deposits increased by 5% from TZS 152,770 million in 2023 to TZS 160,033 million. This was due to increases in time deposits and current accounts deposits. The Bank remains committed to continue to focus on the growth of current and savings deposits as part of the drive to transform the bank and reduce cost of funds.

Loans and advances

Net loans and advances increased slightly by 2% due to liquidity challenges experienced in the second half of the year. The Bank will increase its efforts to mobilize deposits to fund growth of quality Biashara loans which are higher yielding, even as it diversifies into consumer and corporate loans.

Government securities

Investment in government securities increased by 6% from TZS 37,155 million in 2023 to TZS 39,365 million. The increase is mainly attributed by increase in Treasury bills during the year.

Review of cash flows

During the year, the Bank's major source of cash flows was deposits from customers and short-term borrowings from Banks.

The Bank registered inflows of TZS 25,337 million (2023: inflows TZS 18,539 million) from operating activities which was funded by TZS 16,262 million (2023: TZS 14,439 million) customer deposits and borrowing from other banks.

The Bank's cash projections indicate that future cash flows will mostly be generated from deposits. The Bank will continue to implement different strategies to mobilise deposits by targeting individual depositors but also offering competitive rates for fixed deposits and improving cash collection solutions to big corporate customers, private and public institutions, and other agencies.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

14. FINANCIAL REVIEW (CONTINUED)

Key Performance Indicators

The following Key Performance Indicators (KPI's) are effective in measuring the delivery of the Bank's strategy and managing the business.

Performance indicator	Definition and calculation method	2024	2023
Return on average assets <i>A measure of how well the bank uses its assets to generate profits</i>	Net profit/Total assets	(2.71%)	(0.98%)
Return on average equity <i>A financial ratio that measures the performance of a bank based on its average shareholders' equity outstanding.</i>	Net profit/Total equity	(29.65%)	(7.90%)
Non-interest income to total income <i>Bank's income that has been generated by non-interest related activities as a percentage of total income</i>	Non - interest income/Total income	17.77%	15.84%
Operating expenses to average assets <i>A measurement of the cost to operate a piece of property compared to the income brought in by the property.</i>	Operating expenses/average assets	13.81%	13.53%
Cost to Income Ratio <i>A measurement of compliance to Bank of Tanzania circular requiring banks to have not more 55% of cost to income ratio.</i>	Operating expenses/ (Net interest income +Non-interest income)	112.31%	111%
Interest margin on earning assets <i>A measurement of productivity of the Bank's earning assets.</i>	Non - interest income/Earning assets	13.49%	13.68%
Growth on total assets <i>A measurement of the Bank's total assets growth.</i>	Trend (CY total assets – PY total assets)/PY total assets)*%	4.54%	9.74%
Growth on loans and advances to customers <i>A measurement of the Bank's growth in loans and advances to customers, banks and staff. Growth during the year has been achieved as part of the drive to broaden and deepen the Bank's income base.</i>	Trend (CY loans and advances – PY Loans and advances)/PY total loans and advances)*%	1.92%	10.45%
Growth on customer deposits <i>A measurement of Bank's ability to mobilise deposits from customers.</i>	Trend (CY customer deposits – PY Customer deposits)/PY customer deposits)*%	4.75%	17.81%

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

14. FINANCIAL REVIEW (CONTINUED)

Performance indicator	Definition and calculation method	2024	2023
Capital Adequacy			
Tier 1 Capital	Risk weighted assets including Off balance sheet items/Core capital	12.20%	12.57%
Tier 1+Tier 2 Capital	Risk weighted assets including off-balance sheet items/Total capital	12.20%	12.57%

Key efficiency ratios

The key efficiency ratios of the Bank as at year end are as indicated hereunder:

Efficiency indicator	Definition and calculation method	2024	2023
Shareholders' funds to total assets	Shareholders' fund/ total assets	9.15%	12.40%
<i>Indicates how much of the bank's assets have been generated by issuing equity shares rather than by taking on debt.</i>			
Non-performing loans to total advances	Non - performing loans/Gross loans and advances.	7.43%	7.42%
<i>Indicates the percentage of non-performing- loans to total gross loans and advances</i>			
Gross loans to total deposits	Total loans to customers/Total deposits from customers.	70.16%	71.69%
<i>Measures the bank's liquidity by comparing a bank's total loans to its total deposits for the same period.</i>			
Loans to total assets	Loans/Total assets.	50.58%	51.87%
<i>A measure of the bank's assets that are financed by debt rather than equity.</i>			
Liquidity ratio	Liquid Assets/Liquid Liabilities	27.87%	29.61%
<i>Measures the bank's ability to pay its short-term debt obligations.</i>			

Budget performance information

The Bank has recorded a pre-tax loss of TZS 5,823 million against budgeted profit of TZS 3,066 billion. Total income was a 84% of the budget with a shortfall of TZS 6.7 billion. This was mainly caused by negative variance in interest income caused by non-achievement of loan book growth by 23% against budget.

The Bank's operating costs were below budget by TZS 2,225 million or 7%. Interest expense (excluding leasing cost) was above budget by 5% as explained above due to higher than budget interest rates during the second half of the year. Net impairment charges (net of recoveries) are negative TZS 2.57 billion, against budget of positive TZS 1.70 billion resulting in a negative variance on this line of TZS 4.27 billion. Impairment provisions charge is at TZS 4.2 billion, against budgeted impairment charge of TZS 1.3 billion. Recoveries on written off loans are TZS 1.7 billion, against budget of TZS 3.0 billion.

The Bank's total assets were 77% of budget with a shortfall of TZS 65 billion mainly due to a shortfall on budgeted deposits of TZS 43 billion or 21%. Net loans were below budget by 23% or TZS 32 billion.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

15. GOING CONCERN AND SOLVENCY EVALUATION

As at 31st December 2024 the bank was undercapitalized with a core capital of TZS 13.8 billion against minimum required capital of TZS 15 billion. However, this was subsequently regularized, and the directors consider the Bank to be solvent within the meaning ascribed by the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006. See note 5.6 on capital management with regard to the capital position of the Bank.

Nothing further has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of approval of the financial statements.

16. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The Bank's accounting policies, which are laid out in Note 3, are subject to an annual review to ensure continuing compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

17. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board accepts final responsibility for the risk management and internal control system of the Bank.

It is the task of management to ensure that adequate internal, financial, and operational control systems are developed and maintained in an on-going basis to provide reasonable assurance regarding:

- Effectiveness and efficiency of operations.
- Safeguarding of the Bank's assets.
- Compliance with applicable laws and regulations.
- Reliability of accounting records.
- Business sustainability under normal as well as adverse conditions: and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance to such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's systems are designed to provide the Board with a reasonable assurance that procedures in place are operating effectively.

The Board assessed the Bank's internal control systems throughout the financial year ended 31 December 2024 and is of the opinion that they met the generally accepted banking industry criteria. The Board carries out risk management and internal control assessment through Board Audit Committee and Board Risk and Compliance Committee.

18. MANAGEMENT OF THE BANK

The Bank is under the supervision of the Board of Directors and the day-to-day management is entrusted to the Managing Director supported by the senior management team.

The organization structure of the Bank comprises the following Departments: -

- Finance department
- Treasury department.
- Operations department.
- Marketing and Communications department.
- Commerce department.
- Human Resources department.
- Information and Communication Technology department.
- Risk and Compliance department.
- Legal department.
- Credit department
- Internal Audit department (reporting directly to the Board Audit Committee).

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

19. COMPOSITION OF THE BOARD OF DIRECTORS

The Bank has a broad-based Board of Directors comprising of non-executive directors. The Chairman and all other members of the Board of Directors are appointed by the shareholders.

The directors of the Bank, who held office throughout the year and to the date of this report, were as follows:

Name	Qualification	Position	Gender	Nationality	Age	Date of Appointment
Catherine Nchanasaa Kimaryo (Alternate: Rose Joseph Lyimo)	- B. Com Finance & Accounting - MBA - Executive Coaching	Chairperson	F	Tanzania	48	23-Mar-21
Josephat Daniel Lotto	- BSc Geology (Hons) - MBA in Finance - MSc in Finance - PhD in Corporate Governance & Financial Strategies - CPA (T)	Member	M	Tanzanian	49	07-Feb-19
Rukia Adam Juma	- DBA - ADCA - CPA (T) - MBA	Member	F	Tanzanian	68	07-Feb-19
Macfussy Michael Kawawa	- B.Acc (Hons) - FCCA - CA (Mw) - MBA	Member	M	Malawian	60	03-May-21
Harold Nester Jiya	- B. Com - ACIB - MBA	Member	M	Malawian	54	03-May-21
Masauko Nelson Katsala	- B. Com - FCCA - CA (Mw) - MBA	Member	M	Malawian	57	03-May-21
Zunzo Esnat Mitole	- LLB (Hons) - MBA	Member	F	Malawian	51	03-May-21
Benedict Kuhenga Mahona	- BSc Economics - MSc Finance & Investment - MSc Economics	Member	M	Tanzanian	44	28-Sep-21

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

19. COMPOSITION OF THE BOARD OF DIRECTORS (CONTINUED)

Name	Qualification	Position	Gender	Nationality	Age	Date of Appointment
Andrew Ernest Massawe	- BA Marketing - MSc Information Systems & Technology	Member	M	Tanzanian	46	20-Aug-22
Douglas Kanjeza Kamwendo	- B. Acc (Hons), FCCA, CA(Mw), MBA	Member	M	Malawian	51	22-Jan-24

20. DIRECTORS' REMUNERATION

The remuneration and other expenses for services rendered by the non-executive directors of the Bank in 2024 was TZS 214 million (2023: TZS 245 million). Further details of directors' remuneration are included in note 30 of the financial statements.

21. CORPORATE GOVERNANCE

All directors and employees adhere to the principles of the Code of Conduct and Ethics in all their dealings on behalf of the Bank. The Code of Conduct and Ethics ensures that all actions are in the overall best interests of the Bank and reflect the commitment to maintain the highest standards of integrity, ethical behaviour and compliance with all applicable internal and external laws and regulations.

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing, the Directors therefore, confirm that:

- The Board of Directors met regularly throughout the year.
- They retain full and effective control over the Bank and monitor senior management.
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.

In addition, the Board constituted the following Board committees:

Board Audit Committee

This Committee assists the Board in fulfilling its responsibilities by reviewing the financial condition of the Bank, its internal controls, ensuring compliance with applicable legislation and the requirements of regulatory authorities, reviewing reports and following up on matters raised by the external auditors, internal auditors and the Bank of Tanzania.

The Committee meets at least four times in a year. The Board Audit Committee members who served in the Committee during the year 2023 were:

Name	Position	Nationality
Prof. Josephat Daniel Lotto	Chairman	Tanzanian
Ms. Rukia Adam Juma	Member	Tanzanian
Mr. Masauko Nelson Katsala	Member	Malawian

Board Credit Committee

This Committee assists the Board in fulfilling its primary responsibilities in reviewing the Bank's overall lending policy, conducting independent loan reviews, delegation and review of lending limits and is overall responsible for the management of Credit Risk.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

21. CORPORATE GOVERNANCE (CONTINUED)

Board Credit Committee (Continued)

The Committee meets a minimum of four times in a year. The Board Credit Committee members who served in the Committee during the year 2024 were:

Name	Position	Nationality
Mr. Harold Nester Jiya	Chairperson	Malawian
Mr. Douglas Kanjeza Kamwendo	Member	Malawian
Mr. Andrew Ernest Massawe	Member	Tanzanian

Board Risk and Compliance Committee

This Committee assists the Board in fulfilling its primary responsibilities by establishing and implementing the Risk Management process of the Bank in line with the Bank of Tanzania Guidelines as well as risk identification, evaluation, measurement, and monitoring of the Risk Management process.

The Committee meets a minimum of four times in a year. The Board Risk and Compliance Committee members who served during the year 2024 were:

Name	Position	Nationality
Mr. Benedict Kuhenga Mahona	Chairperson/ Member	Tanzanian
Mr. Douglas Kanjeza Kamwendo	Member	Malawian
Mr. Andrew Ernest Massawe	Member	Tanzanian

Board Governance, Remuneration and Human Resources Committee

This Committee has been delegated with the responsibility from the Board to ensure implementation of good governance, review of the governance tools and policies. The Committee also has responsibility to undertake structured assessment of candidates for Senior Management positions, consider and review the human resources management and remuneration policies.

The Committee meets a minimum of four times in a year. The Board Governance, Remuneration and Human Resources Committee members who served during the year 2024 were:

Name	Position	Nationality
Mr. Macfussy Michael Kawawa	Chairperson	Malawian
Ms. Zunzo Esnat Mitole	Member	Malawian
Mr. Benedict Kuhenga Mahona.	Member	Tanzanian

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

22. CAPITAL STRUCTURE AND SHAREHOLDING

As at 31 December 2024, the Bank had 277 shareholders (2022: 277 shareholders).

The Capital structure and shareholding position of the Bank as at 31 December 2024 was as follows:

	2024			2023		
	Number of Ordinary Shares	Percentage (%)	Number of Preference Shares*	Number of Ordinary Shares	Percentage (%)	Number of Preference Shares*
National Bank of Malawi Plc	16,813,000	60.48	11,622,798	16,813,000	60.48	11,622,798
Accion International	1,721,456	6.19	-	1,721,456	6.19	-
PSSSF	963,957	3.47	-	963,957	3.47	-
Stichting Hivos – Triodos Fonds	683,335	2.46	-	683,335	2.46	-
INCOFIN CVSO	617,850	2.22	-	617,850	2.22	-
FMO	595,443	2.14	-	595,443	2.14	-
Inter Consult Ltd	568,811	2.05	-	568,811	2.05	-
FEFISOL	434,022	1.56	-	434,022	1.56	-
Sustainable Finance Foundation	430,798	1.55	-	430,798	1.55	-
Erncon Holdings Ltd	1,808,627	6.51	-	1,808,627	6.51	-
Other Shareholders	3,160,117	11.37	-	3,160,117	11.37	-
Total	27,797,416		11,622,798	27,797,416		11,622,798

* Perpetual non-cumulative irredeemable participating preference shares

Directors' holding shares at the Bank are listed below:

Name	Nationality	Ordinary shares	Nominal value	Ordinary Shareholding %
		of TZS 1,000 each	TZS 000	
Mr. Andrew Ernest Massawe (Erncon Holdings Ltd)	Tanzanian	1,808,627	1,808,627	6.51
Ms. Catherine Kimaryo	Tanzanian	15,122	15,122	0.05
Mr. Andrew Ernest Massawe	Tanzanian	686	686	0.002

23. PRINCIPAL RISKS AND UNCERTAINTIES

The Bank operates in an environment which exposes it to various risks. The key risks that may significantly impact the Bank's short-to-medium term strategy are mainly credit, information and communication technology (ICT), operational, compliance, market, liquidity, strategic, reputational, environmental and social risk.

Below, we provide a description of these various risk categories that the Bank faces.

Credit risk

The Bank is exposed to credit risk for the loans and advances granted to customers as well on the money lent to other financial institutions in an event that such entities fail to honour their obligations. This is the risk resulting from the possibility that a financial asset may not result in a cash receipt (or equivalent) as per the terms of the contract. The Bank has put in place various credit related controls to its exposure to credit risk is minimized. These measures include, robust credit sanctioning process, adherence to approval limits, disbursement controls, continuous monitoring, and a well-documented risk appetite.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

23. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

ICT risk

The risk that IT systems could fail due to either function related default or even due to cyber-attacks cannot be underestimated. Information and communication technology is key in supporting business processes/standards of the bank and as such, we take the ICT side of business very seriously. ICT risk results from inadequate or failed ICT strategy, ICT project and program or ICT operations. The Bank has checks in place to limit its exposure to ICT risk and performs regular monitoring to validate the efficacy of its ICT risk controls.

Liquidity risk

The risk arising from the inability of the Bank to accommodate decreases in liabilities or to fund increases in assets in full, at the right time and place, and in the right currency. If a Bank is seen to be illiquid it cannot obtain sufficient funds, either by increasing liabilities or converting assets promptly or at a reasonable cost. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to liquidity risk.

Compliance risk

The Bank operates in an environment where it is required to comply with various laws and regulations. There is therefore an exposure of being fined or suspended from carrying business due to violations of, or non-compliance with laws, rules, and regulations put by authorities and regulators. Management continually ensures that the Bank complies with relevant laws, rules, regulatory requirements through its Risk and Compliance department and the responsible Board Risk Committee.

Market risk

While the Bank engages in trading cautiously, there is a risk of a potential decrease in shareholder's value as a result of adverse changes in the market value of assets and liabilities. Market risk associated with trading activities is the risk of loss occurring as a result of trading in interest rate and foreign exchange. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to market risk.

Strategic risk

Strategic risk occurs when it is hard to decide to make and implement quickly decision that could reverse an unattractive or adverse impact to the business. Strategic risk ultimately has two elements: one is doing the right thing at the right time (positioning) and the other is doing it well (execution). Strategic risk includes the risk that the Bank's strategy may be inappropriate to support sustainable future growth. The Bank has strong controls in place to mitigate strategic risk, including regular strategic risk reviews at Board and Management levels.

Reputational risk

As the Bank offers products to various customers and interacts with the community, there is a risk that an activity by the Bank or its employee or stance taken by the Bank's officials will impair its image in the community and/or the long-term trust placed in the Bank by its stakeholders resulting in the loss of business or the threat or legal action. The Bank has a communication policy which provides guidance on who should engage the public and how they should conduct themselves. In addition, the Bank's values and code of ethics formulate the culture of the Bank and as such help to preserve the reputation of the Bank. Consequences for reputational related offences are very stringent.

Operational risk

The overall responsibility of managing operational risks - the risk arising from failed or inadequate internal processes, people, systems and external events - is vested with the Board of Directors. The Board through the Board Risk Committee, issues policies that guide management on appropriate practices of operational risk mitigation. The Chief Risk Officer assures the Board Risk Committee of the implementation of the said policies.

The following are key measures that the Bank undertakes in managing operational risk:

- Documentation of procedures and controls, including regular review and updates to reflect changes in the dynamic business environment.
- Appropriate segregation of duties, including the independent authorisation of transactions.
- Reconciliation and monitoring of unusual transactions.
- Monitoring of compliance with regulatory and other legal requirements.
- Reporting of operational losses and ensuring appropriate remedial action to avoid recurrence.
- Development and implementation of business continuity and disaster recovery plans.
- Training and professional development of employees to ensure they are well equipped to identify and mitigate operational risks in a timely manner.
- Establishment of ethical practices at business and individual employee's level.
- Implementation of risk mitigation parameters, including insurance where this is considered effective.

The entire operational risk management framework is subjected to periodic independent audits (internal) in order for the Bank to obtain an independent opinion on the effectiveness and efficiency of the framework. Further, the findings of the Internal Audit department are reviewed by the Board Audit Committee and recommendations made implemented in line with the agreed timeframe.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

23. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Environmental and social risk

Currently businesses are increasing their focus to risks related to business sustainability. Environmental and social risks are therefore becoming focus of discussion risks to various business including banks. The risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the Bank to assess the impacts of activities (of both the Bank and its clients) which could harm the environment or have negative social impact.

The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental laws. The Bank also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Tanzanian government). An environmental and social management system is put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the Compliance function.

24. RELATED PARTY TRANSACTIONS

Transactions during the year with related parties were conducted at terms and conditions like those offered to other clients and in the normal course of business. Details of all related party transactions and balances are disclosed in note 30 to these financial statements.

25. EMPLOYEE WELFARE

Relationship between management and employees

The relationship between employees and management continued to be cordial. Complaints are resolved through meetings and discussions and the Bank has set up appropriate management committee forums for this purpose.

25. EMPLOYEE WELFARE (CONTINUED)

Relationship between management and employees (Continued)

In December 2022 management signed a recognition agreement with the workers Trade Union (FIBUCA) recognising them as a key stakeholder in managing the relationship between management and employees.

Training and people development

The investment in people through training is a demonstration of the Bank's commitment to improving skills in the provision of banking services. This is more so given that the banks' business strategy for 2021 - 2025 depends on the quality and competencies of readily available human resources capacity that is capable of driving and delivering quality business efficiently in view of new the business model and diversified product lines. The Bank's training and development program therefore aims at arming staff with the requisite skills and competencies that will enable the Bank to offer its customers effective and quality service.

In 2024 the Bank invested TZS 400 million in development of its staff. The training plan was implemented by 63% (budget was TZS 631 million).

Health wellness and financial assistance to staff

The Bank's staff enjoy all-inclusive medical cover for all staff including spouse plus four dependents per employee. Strategies Insurance Limited provided the services during the year following a successful public bidding process. Apart from medical cover the Bank contributes to Workers Compensation Fund (WCF) as required by the Workman's Compensation Act.

Occupational safety, health and environment

The Bank took reasonable steps to safeguard the health, safety and welfare of its employees. A safe and conducive working environment was availed to all employees by providing adequate working tools, proper personal protective equipment, hygiene, training, and supervision. The Bank's workplaces were visited by labour inspectors and were found to comply with appropriate government regulations.

Financial assistance to employees

The Bank provided different types of financial support to improve the welfare of its employees, including staff loans.

The Bank provided housing, personal and car loans to staff to enable them to meet their financial requirements and promote economic development. Staff loans are in line with industry best practice and based on specific terms and conditions approved by the Board of Directors.

Periodically the Bank reviews its staff loan scheme (personal loans and mortgage) to ensure the offering contains terms and conditions comparable to competitors.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25. EMPLOYEE WELFARE (CONTINUED)

Loan eligibility remains contingent on the individual credit assessment, and at the management's discretion as to the need and circumstances. Due to efforts to retain and attract talent, fixed term employees are eligible for personal loans within their contract tenure.

Retirement benefits

The Bank makes contributions in respect of staff retirement benefits to the National Social Security Fund (NSSF). The total number of employees at the year-end was 245 (2023: 335).

Disabled persons

Applications for employment by disabled persons are always considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues, and appropriate training is arranged, where necessary.

Gender parity

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues, and appropriate training is arranged and thrive to ensure the working environment is conducive. It is the policy of the Bank that training, career development and promotion of disabled persons are monitored with extra care and attention.

As at December 2024, the Bank had 245 employees and female employees accounted for 61% of the workforce whilst male employees were 39% of the total staff population (2023: 335 employees, out of whom 61% were women and 39% were men).

26. POLITICAL DONATIONS

The Bank did not make any political donations during the year (2023: Nil).

27. CORPORATE SOCIAL RESPONSIBILITY

The Bank recognizes its role and position in society by undertaking several corporate social responsibility (CSR) initiatives. These initiatives are geared towards giving back to society as well as looking into people's welfare as a caring companion.

28. ENVIRONMENTAL CONTROL PROGRAMME

The Bank has a corporate social responsibility policy, part of which addresses environmental control programmes. The Bank acknowledges the seriousness of global environmental issues and therefore acts voluntarily and affirmatively to protect the environment by seeking to minimize any adverse environmental impact in the way the Bank operates. The Bank is committed to the prevention of environmental pollution and follows relevant environmental laws in the areas we operate as a minimum standard and seeks to implement best practices wherever possible.

29. CLIMATE-RELATED FINANCIAL RISK

Climate-related financial risk means the potential risks that may arise from climate change or from efforts to mitigate climate change, their related impacts and economic and financial consequences. Therefore, climate change may result in physical and transition risks that could affect the safety and soundness of the bank and have broader financial stability implications in the banking system. These risks are herein defined below:

- Physical risks arise as the result of acute weather events such as floods, wildfires and longer-term shifts in climate patterns such as sustained higher temperatures, droughts and rising sea level;
- Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt; and
- shifts in supply and demand for certain commodities, products and services due to changes in consumer behavior and investor demand.

The Bank recognizes climate change as one of the most significant risks facing the planet. Climate risk is central to the bank's sustainability agenda, as we look to limit the impacts that result from the transitional or physical effects of climate change. The bank continues to work on the measures required to address climate change, to mitigate impact of its operations on climate and to support a transition towards lower carbon operations and products.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

29. CLIMATE-RELATED FINANCIAL RISK (CONTINUED)

The Bank has identified certain industries/sectors which may expose the Bank to climate change risk. These sectors/industries and their related exposure to the bank's loan book includes:

	2024		2023	
	TZS'000	%	TZS'000	%
Agriculture, forestry, fishing and hunting	780,179	0.69%	599,066	0.55%
Manufacturing	362,970	0.32%	217,210	0.20%
Construction	2,114,607	1.88%	1,516,715	1.38%
Transport, storage and communications	9,027,540	8.02%	5,843,334	5.33%
	12,285,296	10.91%	8,176,325	7.46%

i) Governance

The Bank has approved a policy and framework to assist in incorporating sound governance and risk management frameworks for climate related risks within the existing risk management frameworks. This will enable to better understand, identify, assess, monitor and mitigate these risks. The policy and framework documents apply to the Bank and all its branches and has set out governance responsibilities as outlined below:

- Board oversight of climate related financial risks.
- Board approved policy and framework on climate related financial risks management Board quarterly reports on climate related risks.
- Updated the senior management's role to include assessing and managing climate related financial risks management.

ii) Strategy

The Bank has put in place an adequate and appropriate internal control framework, across the three lines of defense, to ensure sound, comprehensive and effective identification, measurement, monitoring, mitigation and management of material climate related financial risks and opportunities.

iii) Risk Management

The bank understands the impacts of climate related financial risk drivers on its prudential risk profiles and ensure that risk management systems and processes consider material climate related financial risks.

- Incorporating sound governance and risk management frameworks for climate related financial risks within the existing risk management frameworks
- Developing procedures on climate risk which provide for the risk assessment and categorization process at onboarding of new credits, and during the credit life circle and also key risk indicators for monitoring climate risk.

iv) Metrics and Targets

- Metrics to be used to assess climate- related risks and opportunities in line with strategy and risk management process.
- Targets used to manage climate-related risks and opportunities.
- Measuring performance against set targets.

The Bank shall regularly review and reinforce its disclosures, with a view to making them as insightful as possible. The disclosures shall take into consideration the evolving needs of stakeholders regarding information on climate-related financial risks and reflect the bank's evolving understanding of these risks.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

30. PREJUDICIAL ISSUES

There are no matters outside the control of the Bank which could have resulted in the Bank failing to achieve its objectives.

31. STATEMENT OF COMPLIANCE

The report by those charged with governance has been prepared in full compliance with Tanzania Financial Reporting Standard No. 1 *the Report by Those Charged with Governance*.

32. THE AUDITOR

The auditor, KPMG has expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing their reappointment will be put to Annual General Meeting.

BY ORDER OF THE BOARD


Ms. Catherine Kimaryo

Chairperson

Date: 9/04/2025



Prof. Josephat Lotto

Director

Date: 9/04/2025

STATEMENT OF DIRECTORS RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2024

The directors are responsible for the preparation of financial statements that give a true and fair view of Akiba Commercial Bank Plc (the "Company" or the "Bank") comprising the statement of financial position as at 31 December 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in the manner required by the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Bank to continue as going concern. As disclosed under note 5.6, as at 31 December 2024 the bank was in breach of regulatory capital requirements with a core capital of TZS 13.8 billion against minimum required capital of TZS 15 billion. However, on 27 March 2025 the shareholders injected TZS 10 billion as advance capital to increase the core capital to TZS 23 billion. Therefore, the Directors have no reason to believe that the business will not be a going concern for at least the next twelve months from the date of approval of these financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of Akiba Commercial Bank Plc, as identified in the first paragraph, were approved and authorized for issue by the Directors on 9/04/2025 and signed by:

BY ORDER OF THE BOARD



Ms. Catherine Kimaryo

Chairperson

Date: 9/04/2025



Prof. Josephat Lotto

Director

Date: 9/04/2025

DECLARATION OF THE CHIEF FINANCE OFFICER FOR THE YEAR ENDED 31 DECEMBER 2024

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) ACT No. 33 of 1972, as amended by Act No. 2 of 1995, requires the financial statements to be accompanied with the Statement of Declaration issued by the Chief Finance Officer responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing the financial statements of the Bank showing true and fair view position of the Bank in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act of Tanzania, 2002 and the Banking and Financial Institutions Act, 2006. Full legal responsibility for financial statements rests with the Board of Directors as indicated in the statement of directors' responsibilities on an earlier page.

I **Peter Urassa** being the **Acting Chief Finance Officer** of Akiba Commercial Bank Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2024, have been prepared in compliance with the International Accounting Standards Board (IFRS Accounting Standards), the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

I thus confirm that the financial statements of Akiba Commercial Bank Plc comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by:



Peter Urassa

Position:

Acting Chief Finance Officer

NBAA Membership no:

ACPA 6681

Date:

9/04/2025

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AKIBA COMMERCIAL BANK PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Akiba Commercial bank Plc ("the Bank") set out on pages 54 to 130, which comprise the statement of financial position as of 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AKIBA COMMERCIAL BANK PLC (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Impairment of loans and advances to customers

Refer to notes 2(d) Use of estimates and judgements, 3(g)(iii) Material Accounting Policies - Financial Assets & Liabilities, 5.1 Credit Risk and 17 Loans and Advances to customers to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2024, the gross loans and advances to customers amounted to TZS 112.6 billion and the allowance for impairment amounted to TZS 3.8 billion. Measurement of expected credit loss (ECL)/ impairment on loans and advances is a key audit matter as the determination of expected credit losses is highly subjective, involves significant level of judgement applied by management and the ECL is a material significant estimate. The key areas where we identified significant levels of management judgement and therefore increased levels of audit focus are: - Assumptions and judgement used in determining criteria for Significant Increase in Credit Risk (SICR) where both quantitative and qualitative considerations accounted for staging decisions. - Choosing appropriate models and assumptions for the determination of probabilities of default (PD); exposures at default (EAD) and loss given default (LGD); and ultimately measurement of Expected Credit Loss (ECL). - Establishing the various macroeconomic variables as well as weightings applied to the forward-looking scenarios for each segment and therefore the associated impact on ECL. - Consideration for significant judgements around LGD modelling assumptions for stage 3 loans including time to realisation of collaterals as well as collateral values. - Adequacy of credit risk disclosures including the completeness and accuracy of data used in the disclosures.	Our audit procedures in this area, included: - Evaluating the design and implementation as well as the operating effectiveness of controls over, over the compilation and review of the early warning list, credit file review processes, approval of external collateral valuation vendors and controls over the approval of significant individual impairments. - Evaluate management's model for establishing stage 3 impairments by challenging reasonability of management assumptions such as time to realisation of collateral values by comparing the time historically taken by the Bank to realize collaterals and the time currently applied. Also performed a retrospective review by comparing previous year's estimate to actual outcome in the current year. - For a sample of loan exposures, we assessed whether facilities are correctly staged/classified based on the requirements of IFRS 9 Financial Instruments. This included assessing the payment history of the loans and other qualitative factors applied such as early warning signs - Evaluating the reliability and reasonableness of information used by the bank in establishing PD and LGD by agreeing a sample of the inputs to underlying supporting documents such as collateral valuation reports for collateral values used. Also, evaluate the appropriateness of historical information used in establishing PD and Significant Increase in Credit Risk (SICR). - Evaluating the appropriateness of the Significant Increase in Credit Risk (SICR) criteria used by the Bank by comparing it against IFRS 9 requirements. Evaluated quantitative factors such as the past due days considered to indicate a SICR and qualitative factors including assessing whether early warning signs and concessions have been considered is assessing the SICR. - Evaluating management's method of determining groups of similar financial assets for purposes of measuring ECL to confirm that assets are properly stratified. - Assessing the ECL calculations to verify if the correct parameters, namely PDs, LGD and EADs were appropriately determined by independently calculating the parameters and the resulting ECL. Evaluate the macroeconomic aspects of the model with assistance from our Financial Risk Management specialists and - Evaluating the adequacy of financial statements disclosures in accordance with the requirements of IFRS 7, Financial Instruments: Disclosures, including disclosures of key assumptions and judgements relating to ECL.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AKIBA COMMERCIAL BANK PLC (CONTINUED)

Report on the Audit of the Financial Statements (Continued)***Other Information***

The Directors are responsible for the other information. The other information comprises the information included in the Akiba Commercial Bank Plc Report and Financial Statements for the year ended 31 December 2024 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AKIBA COMMERCIAL BANK PLC (CONTINUED)

Report on the Audit of the Financial Statements (Continued)*Auditor's Responsibilities for the Audit of the financial statements (Continued)*

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you solely based on our audit of financial statements that :

- in our opinion, proper accounting records have been kept by Akiba Commercial Bank Plc;
- the individual accounts are in agreement with the accounting records of the Bank;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- directors' report is consistent with the financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Bank is disclosed.

As required by Banking and Financial Institutions Act, 2006 and its regulations, we report to you solely based on our audit of financial statements that; except for the non-compliance to minimum capital requirements as disclosed in note 5.6 of the financial statements, nothing has come to our attention that causes us to believe that the Bank has not complied with the Banking and Financial Institutions Act, 2006 and its Regulations including computation of its capital position.

KPMG**Certified Public Accountants (T)**


Signed by engagement partner: CPA Vincent Onjala (TACPA 2722)

Dar es Salaam

Date: 9/04/2025

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	NOTES	TZS '000	TZS '000
Interest income calculated using effective interest method	6(a)	29,702,230	28,292,236
Other interest income calculated using effective interest method	6(b)	96,356	110,340
Interest expense	7	(9,820,518)	(8,231,569)
Net interest income		19,978,068	20,171,007
Credit impairment losses	17	(2,570,107)	1,213,203
Net interest income after impairment losses		17,407,961	21,384,210
Fees and commission income	8	4,655,616	4,747,340
Foreign exchange income	9	1,680,733	500,316
Other operating income	10	104,941	98,370
Employee benefits expenses	11	(14,482,652)	(15,616,657)
General and Administrative expenses	12	(12,365,045)	(10,551,534)
Depreciation and amortization	13	(2,824,816)	(2,102,251)
Loss before tax		(5,823,262)	(1,540,206)
Tax expense	14(a)	-	(473,185)
Loss for the year		(5,823,262)	(2,013,391)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(5,823,262)	(2,013,391)

The notes set out on pages 64 to 130 form an integral part of these financial statements.

Auditor's report is on pages 56 to 59.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

		Dec 2024	Dec 2023
	NOTES	TZS '000	TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	15	31,923,407	27,955,971
Balances with other banks	16	4,272,373	3,669,763
Loans and advances to customers	17	108,781,432	106,814,636
Government Securities	18	39,294,781	37,008,624
Other assets	23	5,464,126	8,321,639
Current income tax asset	14 (c)	151,375	151,375
Property and equipment	20	13,786,545	14,712,276
Intangible assets	21	4,827,531	531,027
Deferred tax asset	22	6,391,125	6,391,125
Unquoted equity investment	19	39,000	39,000
TOTAL ASSETS		214,931,695	205,595,436
LIABILITIES			
Deposits from other banks		17,406,565	8,406,688
Deposits from customers	24	160,033,021	152,770,317
Lease liability	25	12,685,905	14,063,584
Other liabilities	26	5,136,215	4,861,596
TOTAL LIABILITIES		195,261,706	180,102,185
SHAREHOLDERS EQUITY			
Share capital	28(a)	27,797,416	27,797,416
Preference shares	28(b)	11,622,798	11,622,798
Share premium	28(c)	2,431,917	2,431,917
Accumulated losses		(23,621,093)	(19,214,523)
Regulatory reserve	28(d)	1,438,951	2,855,643
TOTAL EQUITY		19,669,989	25,493,251
TOTAL LIABILITIES AND EQUITY		214,931,695	205,595,436

The financial statements on pages 28 to 98 were approved and authorized for issue by the Board of Directors on

9/04/2025 and signed by:



Ms. Catherine Kimaryo

Chairperson



Prof. Josephat Lotto

Director

The notes set out on pages 64 to 130 form an integral part of these financial statements.

Auditor's report is on pages 56 to 59.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Share Capital	Preference Shares	Advance Towards Share Capital	Share Premium	Accumulated Losses	Regulatory Reserve	Total
	TZS '000		TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2024	27,797,416	11,622,798	-	2,431,917	(19,214,523)	2,855,643	25,493,251
Loss for the year					(5,823,262)		(5,823,262)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(5,823,262)	-	(5,823,262)
Issue of Preference Shares	-	-	-	-	-	-	-
Total transaction with owners	-	-	-	-	-	-	-
Transfer from regulatory reserve to retained earnings	-	-	-	-	1,416,692	(1,416,692)	-
At 31 December 2024	27,797,416	11,622,798	-	2,431,917	(23,621,093)	1,438,951	19,669,989
At 1 January 2023	27,797,416	5,959,680	-	2,431,917	(15,275,549)	930,060	21,843,524
Loss for the year	-	-	-	-	(2,013,391)	-	(2,013,391)
Other comprehensive income	-	-	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	-	(2,013,391)	-	(2,013,391)
<i>Transactions with owners of the bank</i>	-	-	-	-	-	-	-
Injection of Share Capital	-	5,663,118	-	-	-	-	5,663,118
<i>Total transaction with owners</i>	-	5,663,118	-	-	-	-	5,663,118
Transfer from retained earnings to regulatory reserve	-	-	-	-	(1,925,583)	1,925,583	-
At 31 December 2023	27,797,416	11,622,798	-	2,431,917	(19,214,523)	2,855,643	25,493,251

*Regulatory reserve represents the surplus of provision for credit losses computed in accordance with Bank of Tanzania regulations over the impairment loss on loans and advances computed in accordance with IFRS Accounting Standards.

The notes set out on pages 64 to 130 form an integral part of these financial statements.

Auditor's report is on pages 56 to 59.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

		Restated*	
	Notes	2024	2023
		TZS 000	TZS 000
Cash flows from operating activities			
Loss for the period		(5,823,262)	(2,013,391)
Adjustments for:			
Depreciation and amortization	13	2,824,816	2,102,251
Impairment balance	15,16,17,18 and 18	(4,309,531)	(1,387,111)
Gain on disposal of property and equipment	10	(37,692)	(138,594)
Interest expense on lease liability	25	1,370,934	1,527,521
Interest expense on deposits	7	8,449,584	6,704,048
Interest income	6(a) & (b)	(29,798,586)	(28,402,576)
Right of use asset remeasurement		(394,325)	-
Exchange gain on cash and cash equivalent		(125,770)	(159,086)
Exchange gain due to lease remeasurement		(358,931)	-
Tax expense	14(a)	-	473,185
		(28,202,763)	(21,293,753)
Changes in:			
Statutory Minimum Reserve		(907,255)	(805,360)
Loans and advances to customers		3,248,720	(7,965,477)
Other assets	23	2,857,513	(1,004,329)
Deposit from customers	24	7,262,704	23,095,946
Balances from other banks		8,999,877	(8,656,518)
Other liabilities	26	274,619	759,653
Cash flows generated from operations		(6,466,585)	(15,869,838)
Interest received		29,647,530	27,663,423
Interest paid on lease liability	25	(1,370,934)	(1,527,521)
Interest paid on deposits		(8,449,584)	(7,222,186)
Net cash flows generated / from operations		13,360,427	3,043,879
Cash flows from investing activities			
Purchase of government securities	18	(14,550,000)	(13,049,542)
Purchase of property and equipment	20	(1,261,379)	(2,496,462)
Purchase of intangible assets	21	(4,539,885)	(162,888)
Proceeds from matured Government securities		12,334,067	15,494,692
Proceeds from sale of property and equipment		37,692	164,728
Net cash used in/generated from investing activities		(7,979,505)	(49,472)
Cash flows from financing activities			
Proceeds from issue of Preference shares		-	5,663,118
Lease payments	25	(1,018,748)	(939,825)
Net cash generated/ (used in) financing activities		(1,018,748)	4,723,293
Net increase in cash and cash equivalents		4,362,174	7,717,699
Cash and cash equivalent at the beginning of the year	27	28,566,030	20,689,244
Effect of exchange rate fluctuations on cash and cash equivalent		125,770	159,086
Cash and cash equivalent at the end of the year	27	33,053,974	28,566,029

The notes set out on pages 64 to 130 form an integral part of these financial statements.

*The comparative information is restated in account of correction of errors. See Note 34 for details.

Auditor's report is on pages 56 to 59.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. REPORTING ENTITY

Akiba Commercial Bank Plc (the “Bank”) is a limited company incorporated in Tanzania under the Companies Act 2002 and is domiciled in Tanzania. The address of its registered office and principal place of business is:

3rd Floor, Amani Place

Ohio Street

PO Box 669

Dar es Salaam, Tanzania

2. BASIS OF ACCOUNTING

(a) Statement of compliance

The Bank’s financial statements for the year 2024 have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006. Additional information required by the regulatory bodies is included where appropriate.

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis of accounting except for the financial assets classified as Fair Value through Profit or Loss (FVTPL) and Fair Value through Other Comprehensive Income (FVOCI).

(c) Functional and presentation currency

These financial statements are presented in Tanzania Shillings (TZS), which is also the Bank’s functional currency. All financial information presented in TZS have been rounded to the nearest thousand except where otherwise stated.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank’s accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 4.

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. See Note 3 (g) (ii).

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL). See Note 3 (g) (iii) and 5.1.

3. MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

The comparative information has been reclassified to align with presentation in the current year where applicable.

(a) Adoption of New and Revised Accounting Standards

During the current year, the Bank has adopted all the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2024. For details of the new and revised accounting standards and/or policies refer to note 35.

(b) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the bank at the exchange rates at the date of the transactions. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition

Revenue is derived substantially from banking business and related activities and comprises net interest income and fee and commission income.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, as well as any interest receivable or payable, are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of FVOCI financial assets, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

i) Net interest income

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset.

The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. For information on when financial assets are credit-impaired, see Note 3(g) (iii).

Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.
- interest on debt instruments measured at FVOCI calculated on an effective interest basis.
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (continued)

i) Net interest income (continued)

Interest income and expense on all trading assets and liabilities are incidental to the bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

ii) Net fee and commission income

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate. Other fee and commission income – including account servicing fees and sales commissions – is recognized as the related services are performed. The Bank provides services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in on an annual basis.

Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period. A contract with a customer that results in a recognized financial instrument in the bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

iii) Net trading income and net income on financial assets at fair value through profit or loss

'Net trading income and net income on financial assets at fair value through profit or loss' comprises gains and losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends, and foreign exchange differences.

(d) Other operating income

Other operating income comprises gains and losses related to trading assets and liabilities and includes all realized and unrealized fair value changes, interest, and foreign exchange differences. It also includes gain on disposal of property and equipment.

(e) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

i) Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component based on its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

i) Bank acting as a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(f) Income tax expense

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- Temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination, and which affects neither accounting nor taxable profit temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities

i) Recognition and initial measurements

The bank initially recognizes loans and advances, deposits, and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognized on the trade date on which the bank becomes a party to the contractual provision of the instrument.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. After initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

ii) Classification

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the bank's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

ii) Classification (continued)

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the bank considers:

- contingent events that would change the amount and timing of cash flows.
- leverage features.
- prepayment and extension terms.
- terms that limit the bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates

The bank holds a portfolio of long-term fixed rate loans for which the bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by considering any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. After initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognized in non-interest income in the Statement of Profit or Loss and Other Comprehensive Income. Upon de-recognition, realized gains and losses are reclassified from OCI and recorded in non-interest income in the Statement of Profit or Loss and Other Comprehensive Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Premiums, discounts, and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding charge to Provision for credit losses in the Statement of Profit or Loss and Other Comprehensive Income.

The accumulated allowance recognized in OCI is recycled to the Statement of Profit or Loss and Other Comprehensive Income upon de-recognition of the debt instrument.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

ii) Classification (continued)

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

- a) Are held for trading purposes.
- b) Are held as part of a portfolio managed on a fair value basis; or
- c) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income as part of non-interest income. Realized and unrealized gains and losses are recognized as part of non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

The bank has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI, and are not subsequently reclassified in the Statement of Profit or Loss and Other Comprehensive Income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal.

Consequently, there is no review required for impairment. Dividends will normally be recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Reclassifications

Financial assets are not reclassified after their initial recognition, except in the period after the bank changes its business model for managing financial assets.

Financial liabilities

The bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized.

iii) Impairment

The bank recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments (amortized cost and FVOCI) including loans and advances.
- lease receivables (rental income collected from Investment properties).
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

The bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date i.e. balances held with central banks, domestic government bills and bonds, and loans and advances to banks; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition i.e. stage 1 (see Note 5.1).

Empowering Progress Through Digital Innovation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

iii) Impairment (continued)

The bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Significant Increase in Credit Risk

The bank's criteria for assessing significant increase in credit risk are defined at the appropriate product or portfolio level and vary based on the exposure's credit risk at origination. These are largely determined by the Prudential Guidelines Classification. The criteria include relative changes in PD and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive);
- financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows.
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover. See also Note 5.1.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see note 3(g)(iv)) and ECL are measured as follows.

- If the expected restructuring will not result in de-recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in de-recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired (referred to as stage 3 financial assets). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or past due event.
- the restructuring of a loan or advance by the bank on terms that the bank would not consider otherwise.
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

iii) Impairment (continued)

A loan that is overdue for 90 days or more is considered impaired. In addition, a loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Government securities

In assessing whether an investment in sovereign debt (Government Bills and bonds, Balances due from central banks) is credit-impaired, the Bank considers the following factors.

- The country's ability to access own local capital markets for new debt issuance.
- The respective government ability to maintain sovereignty on its currency
- The intentions and capacity, reflected in public statements, of governments and agencies honor these commitments.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

iii) Impairment (continued)

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision; (See note 29)
- where a financial instrument includes both a drawn and an undrawn component, and the bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities to comply with the bank's procedures for recovery of amounts due.

Any write-offs mandated by the laws and regulations are assessed by management for compliance with IFRS.

iv) De-recognition

Financial assets

The bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on de-recognition of such securities. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the bank is recognised as a separate asset or liability.

The bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

iv) De-recognition

Financial assets (continued)

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the de-recognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The bank securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the bank transferring substantially all the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips, or other residual interests (retained interests). Retained interests are recognised as investment securities and carried at FVOCI. Gains or losses on securitisation are recorded in other revenue.

Financial liabilities

The bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on de-recognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the de-recognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in de-recognition of the financial asset, then the bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

v) Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

vi) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

(h) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measure at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of net exposure to either market or credit risk are measure on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities based on the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(i) Cash and Cash equivalents

Cash and cash equivalents cash on hand, balances with other banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand. These are carried in the Statement of Financial Position at face value.

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition including: cash and balances with Bank of Tanzania, Government securities, and deposits and balances due from Banking institutions excluding the Statutory Reserve requirement held with the Bank of Tanzania.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Fair value measurement (continued)

(j) Property and equipment

Property and equipment are initially recorded at historical cost and subsequently stated at historical cost or valuation less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

Description of assets	Rate (%)
Leasehold improvement	10
Motor vehicles	25
Furniture, fittings, and equipment	20
Computer equipment and software	20
Right of use asset	10

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. (Refer to accounting policy on impairments of non-financial assets).

(k) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use.
- management intends to complete the software product and use or sell it.
- there is an ability to use or sell the software product.
- it can be demonstrated how the software product will generate probable future economic benefit.
- adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product including the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised based on the expected useful lives. Software has a maximum expected useful life of 5 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (continued)

(l) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices and other available fair value indicators. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(m) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Bank in respect of services provided by employees up to the reporting date.

(o) Share Capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new shares or options to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Paragraph 125 of IAS 1 requires disclosure about the assumptions that the Bank makes about the future and other sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment within the next financial year.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies.

a) Measurement of the expected credit loss allowance

The Bank measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses). The Bank uses several significant judgements in applying the accounting requirements for measuring ECL, such as:

- Determination criteria for significant increase in credit risk.
- Establishing the various macroeconomic variables as well as weightings applied to the forward-looking scenarios for each segment and therefore the associated impact on ECL
- Choosing appropriate models and assumptions for the determination of probabilities of default (PD); exposures at default (EAD) and loss given default (LGD); and ultimately measurement of Expected Credit Loss (ECL).

Detailed information about the judgement and estimates made by the Bank are explained under note 5.

b) Property and equipment

Critical estimates are made by the directors in determining depreciation and amortization rates for equipment and intangible assets and their residual values. The rates used are set out in the accounting policies section of these financial statements under Note 3(j). There is no significant risk of these estimates changing in the next 12 months that may lead to a material change in the carrying value of property and equipment and intangible assets.

(c) Deferred tax assets

Recognition of deferred tax assets. The Bank follows the IAS 12 Income Taxes guidance for the recognition of deferred tax assets. The key assumption to recognition of deferred tax assets is the availability of future taxable profits against which deductible temporary differences can be utilized. The Bank prepares projections to predict if they will be able to make profits to support this assumption.

The amounts recognised in the financial statements in respect of each matter are derived from the Bank's best estimation and judgement as described above.

Uncertain tax positions

There are some transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authority may have indicated disagreement with the bank treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due after considering external advice where appropriate.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Bank's financial policy.

5. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance, and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are inevitable consequences of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

Risk management is carried out by the Risk and Compliance department under policies approved by the Board of Directors.

The Board provides written principles for overall risk management, as well as written policies covering specific areas. In addition, the Internal Audit department is responsible for the independent review of risk management and the control environment. The most significant risks are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk

5.1.1 Credit risk measurement

The Bank takes on exposure to credit risk, which is the risk that the counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; Directors therefore carefully manage its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The credit risk management and controls are centralised in Commerce, Risk and Compliance departments of the Bank and reported to the Board of Directors and Heads of Departments regularly.

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is like the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. The Loan book is split into Term Loans (Secured & unsecured) and overdraft and off- balance sheet items (these include undrawn overdraft limits, Letters of Credit and Guarantees).

The Bank considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all product types, further considering a revolving facility in default if the facility is drawn above the loan limit for more than 90 consecutive days during the lifetime of the facility or if the drawn amount is still outstanding 90 days after maturity of the facility.

The Bank estimates the Loss Given Default for both term loan (secured and unsecured) based on recoveries on loans that defaulted and were written off and collections from loans that defaulted but were not written off while for off balance sheet items the probability of default and loss given default component for revolving facilities has been combined to determine a loss rate.

Exposure at Default for term loans is estimated as contractual rundown on the loans and for the off-balance sheet items the exposure at default is estimated by determining a credit conversion factor (CCF).

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all customers are segmented into five rating classes as shown below:

Bank's internal ratings scale			% Used for
	Description of the grade	Ageing	Regulatory provisioning
1.	Current	0 - 30 days	NIL
2.	Especially mentioned	31 - 90 days	3%
3.	Sub-standard	91 - 180 days	20%
4.	Doubtful	181 – 360 days	50%
5.	Loss	360 days and above	100%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.2: Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Refer to note 5.1.2.1 for a description of how the Bank determines when a significant increase in credit risk has occurred. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.1.2.2 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 5.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 5.1.2.4 includes an explanation of how the Bank has incorporated this in its ECL models.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition; Their ECL is always measured on a lifetime basis (Stage 3).

5.1.2.1 Significant increase in credit risk (SICR)

The bank measures significant increase in credit risk using quantitative, qualitative or backstop criteria. If one or more of the following criteria are met the bank considers that a financial instrument to have experienced a significant increase in credit risk.

Quantitative criteria:

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Qualitative criteria

Loans and advances to customers

A loan facility is assessed to have significant increase in credit risk if the borrower meets one or more of the following criteria:

- Previous arrears within the last 12 months.
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the borrower.
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans; and
- Identified fraudulent activities in issuing the loan.

The assessment of SICR incorporates forward-looking information and is performed on an annual basis at a portfolio level.

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Loans and advances to banks

The following qualitative factors are considered as indicators of significant increase in credit risk

- Significant counterparty management restructuring or re-organization due to prolonged poor performance of the entity.
- Significant adverse change in regulatory, economic, or technological environment of the borrower that results in a significant change in ability to meet its debt obligations; and
- Significant reductions in financial support from a parent entity that resulted to significant adverse change of operating results of the counterparty.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.2.1 Significant increase in credit risk (SICR) (Continued) Government securities

Government securities are considered to have experienced a significant increase in credit risk when at least one of the following factors have occurred:

- The government has received a low credit rating ("C") by the International rating agencies; or
- The government has initiated debt restructuring process.

Low credit risk exemption

Government securities such as treasury bills measured at amortised cost are classified as low credit risk financial instruments and impairment will be recorded only if there is evidence of expected default on Government securities. It is important to note that there is no history of default on the Tanzania Government securities.

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative

The Bank considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all product, further considering a revolving facility in default if the facility is drawn above the loan limit for more than 90 Consecutive days during the lifetime of the facility or if the drawn amount is still outstanding 90 days after maturity of the facility.

5.1.2.2: Definition of default and credit impaired assets

Qualitative

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where: -

- the borrower is in long-term forbearance.
 - the borrower is deceased.
 - the borrower is insolvent.
 - the borrower is in breach of financial covenant(s).
 - An active market for that financial asset has disappeared because of financial difficulties.
 - Concessions have been made by the lender relating to the borrower's financial difficulty.
 - Fraudulent activities were conducted in issuance of the loan.
 - It is becoming probable that the borrower will enter bankruptcy; and
 - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.
- Loans and advances to customers

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the segments expected loss calculations.

Loans and advances to banks

For balances due from other banks below events are considered as default when they occur

- When repayments of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay.
- When counterpart is taken under management by Statutory Manager.
- When counterpart license has been revoked by Central Banks; and
- When counterpart has been declared bankrupt by responsible bodies like Registration, Insolvency and Trusteeship Agency (RITA) and Court.

Government securities

For government securities below events are considered as default when they occur: -

- When repayments of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay.
- When the government is downgraded to below "C" Status by International Rating Agency such as Moody's, S&P or Fitch; and
- When the government is declared default/bankrupt by responsible agencies like World Bank or IMF.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.2: Expected credit loss measurement (continued)

5.1.2.2: Definition of default and credit impaired assets (Continued) 5.1.2.3: Measuring ECL — Explanation of inputs, assumptions, and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

5.1.2.4: Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD may vary between secured and unsecured loans and off-balance sheet exposure. Expert judgment has also been applied in this process.

The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

In addition to the base economic scenario, management team also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major segment type to ensure non-linearity are captured. The number of scenarios and their attributes are reassessed at each reporting date.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.2: Expected credit loss measurement (continued)

5.1.2.4: Forward-looking information incorporated in the ECL models (Continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2024 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2024	2025	2026	2027
Lending interest rate (%)				
Base	16.82%	16.87%	16.85%	16.85%
Upside	17.87%	17.85%	17.85%	17.85%
Downside	15.87%	15.85%	15.85%	15.85%
Non-performing Loans				
Base	15.21%	14.98%	14.95%	14.95%
Upside	26.85%	26.62%	26.59%	26.59%
Downside	3.57%	3.34%	3.30%	3.30%

The most significant period-end assumptions used for the ECL estimate as at 31 December 2024 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2024	2025	2026
Lending interest rate (%)			
Base	16.82%	16.87%	16.85%
Upside	17.87%	17.85%	17.85%
Downside	15.87%	15.85%	15.85%
Non-performing Loans			
Base	15.21%	14.98%	14.95%
Upside	26.85%	26.62%	26.59%
Downside	3.57%	3.34%	3.30%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.2: Expected credit loss measurement (continued)

5.1.2.4: Forward-looking information incorporated in the ECL models (Continued)

If the forward-looking information change by 10% expected loss allowance would have been as follows:

Performing loans: Stage 1 and 2

31 December 2024 Sensitivity Analysis	Expected loss allowance	
	Upward	Downward
	change	change
	TZS '000	TZS 000
Secured term loans	2,056,993	1,682,995
Unsecured term loans	1,468,495	1,201,496
Total expected loss allowance	3,525,488	2,884,491

31 December 2023 Sensitivity Analysis	Expected loss allowance	
	Upward	Downward
	change	change
	TZS '000	TZS 000
Secured term loans	537,527	397,303
Unsecured term loans	1,179,383	871,718
Total expected loss allowance	1,716,910	1,269,021

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

5.1.3 Credit risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified, to individual counterparties and groups, and to industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The exposure to any one borrower including Banks is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 Credit risk limit control and mitigation policies (Continued)

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory, and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	31-Dec-24	31-Dec-23	
Loans and advances to customers			
Micro and Small Enterprises (MSEs)	100%	100%	Surveyed and un-surveyed land and buildings, Motor vehicles.
Personal loans	-	-	None
Term loans	100%	100%	Surveyed and un-surveyed land and buildings, Motor vehicles
Overdrafts	100%	100%	Surveyed and un-surveyed land and buildings, Motor vehicles.

The table below sets out the carrying amount and the value of identifiable collateral held against loans and advances to corporate customers measured at amortised cost, for each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against: -

	2024		2023	
	Carrying amount	Collateral	Carrying amount	Collateral
Stage 1&2	103,049,854	149,396,739	99,026,128	86,225,443
Stage 3	5,731,578	24,983,238	7,788,508	7,361,856

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1.4 Credit exposure

5.1.4.1 Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

(a) Unsecured Term Loans-Gross loans

2024				
	Stage 1	Stage 2	Stage 3	
	12 - Month	Lifetime ECL	Lifetime ECL	Total
Credit grade	ECL			
	TZS'000	TZS'000	TZS'000	TZS'000
Current	42,347,091	-	-	42,347,091
Especially Mentioned	-	988,467	-	988,467
Doubtful	-	-	163,395	163,395
Sub Standard	-	-	154,583	154,583
Loss	-	-	858,472	858,472
Gross carrying amount	42,347,091	988,467	1,176,450	44,512,008
Loss allowance	(941,808)	(185,547)	(673,425)	(1,800,780)
Carrying amount	41,405,283	802,920	503,025	42,711,228

2023				
	Stage 1	Stage 2	Stage 3	
	12 - Month	Lifetime ECL	Lifetime ECL	Total
Credit grade	ECL			
	TZS'000	TZS'000	TZS'000	TZS'000
Current	26,583,681	-	2,301	26,585,982
Especially Mentioned	-	142,076	232	142,308
Doubtful	-	-	71,562	71,562
Sub Standard	-	-	4,795	4,795
Loss	-	-	87,776	87,776
Gross carrying amount	26,583,681	142,076	166,666	26,892,423
Loss allowance	(1,012,574)	(12,977)	(166,666)	(1,192,217)
Carrying amount	25,571,107	129,099	-	25,700,206

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.4 Credit exposure (Continued)

5.1.4.1 Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

(b) Secured Term Loans- Gross loans

Credit grade	2024			Total TZS'000
	Stage 1 12 - Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	TZS'000	TZS'000	TZS'000	
Current	57,817,223	-	-	57,817,223
Especially Mentioned	-	3,173,276	-	3,173,276
Doubtful	-	-	1,553,882	1,553,882
Sub Standard	-	-	1,678,724	1,678,724
Loss	-	-	3,314,284	3,314,284
Gross carrying amount	57,817,223	3,173,276	6,546,890	67,537,389
Loss allowance	(428,644)	(123,013)	(1,318,337)	(1,869,994)
Carrying amount	57,388,579	3,050,263	5,228,553	65,667,395

(b) Secured Term Loans- Gross loans (continued)

Credit grade	2023			Total TZS'000
	Stage 1 12 - Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	TZS'000	TZS'000	TZS'000	
Current	72,889,395	-	145,875	73,035,038
Especially Mentioned	-	2,122,563	66,643	2,189,206
Doubtful	-	-	1,488,363	1,488,363
Sub Standard	-	-	1,536,059	1,536,059
Loss	-	-	2,722,504	2,722,736
Gross carrying amount	72,889,395	2,122,563	5,959,444	80,971,402
Loss allowance	(459,344)	(8,071)	(839,908)	(1,307,323)
Carrying amount	72,430,051	2,114,492	5,119,536	79,664,079

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.4 Credit exposure (Continued)

5.1.4.1 Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

(c) Overdraft- Gross loans

Credit grade	2024			Total TZS'000
	Stage 1	Stage 2	Stage 3	
	12 - Month ECL TZS'000	Lifetime ECL TZS'000	Lifetime ECL TZS'000	
Current	406,664	-	-	406,664
Especially Mentioned	-	-	-	-
Doubtful	-	-	-	-
Sub Standard	-	-	-	-
Loss	-	-	133,690	133,690
Gross Carrying amount	406,664	-	133,690	540,354
Loss allowance	(3,855)	-	(133,690)	(137,545)
Carrying amount	402,809	-	-	402,809

Credit grade	2023			Total TZS'000
	Stage 1	Stage 2	Stage 3	
	12 - Month ECL TZS'000	Lifetime ECL TZS'000	Lifetime ECL TZS'000	
Current	1,066,891	-	-	1,066,891
Especially Mentioned	-	-	116,271	116,271
Doubtful	-	-	49,768	49,768
Sub Standard	-	-	424,060	424,060
Loss	-	-	-	-
Gross Carrying amount	1,066,891	-	590,099	1,656,990
Loss allowance	(6,944)	-	(199,695)	(206,639)
Carrying amount	1,059,947	-	390,404	1,450,351

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.4 Credit exposure (continued)

5.1.5 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period.
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.
- Impacts on the measurement of ECL due to changes made to models and assumptions.
- Discounts unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets de-recognized during the period and write-offs of allowances related to assets that were written off during the period).

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

5.1.5.1 Changes in the loss allowance

(a) Unsecured Loan

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2024	1,012,573	26,294	153,350	1,192,217
Transfers:				
Transfer from stage 1 to stage 2	(79,496)	79,496	-	-
Transfer from stage 1 to stage 3	(36,180)	-	36,180	-
Transfer from stage 2 to stage 1	9,988	(9,988)	-	-
Transfer from stage 2 to stage 3	-	(136,050)	136,050	-
Transfer from stage 3 to stage 1	246	-	(246)	-
Transfer from stage 3 to stage 2	-	9,805	(9,805)	-
Financial assets derecognised during the period other than write offs	(163,542)	(1,002)	(77,495)	(242,039)
New financial assets originated	198,219	216,992	262,101	677,312
Total net P&L release during the period	(70,765)	159,253	346,785	435,273
Other movements with no P&L impact				
Write-offs	-	-	173,290	173,290
Loss allowance as at 31 December 2024	941,808	185,547	673,425	1,800,780

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.1 Changes in the loss allowance (continued)

(a) Unsecured Loan (continued)

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2023	953,601	22,487	847,505	1,823,593
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	52,226	-	(52,226)	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	24,293	(24,293)	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	27,115	(27,115)	-
Financial assets derecognised during the period other than write offs	(270,390)	(47,798)	(655,158)	(973,346)
New financial assets originated	277,316	197	64,647	342,160
Total net P&L release during the period	59,152	3,807	(694,145)	(631,186)
Other movements with no P&L impact				
Write-offs	-	-	-	-
Loss allowance as at 31 December 2023	1,012,753	26,294	153,350	1,192,407

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.1 Changes on the loss allowance (continued)

(b) Secured term loans

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2024	459,344	8,071	839,908	1,307,323
Transfers:				
Transfer from stage 1 to stage 2	(27,087)	27,087	-	-
Transfer from stage 1 to stage 3	(348,459)	-	348,459	-
Transfer from stage 2 to stage 1	(2,411)	2,411	-	-
Transfer from stage 2 to stage 3	-	(139,050)	139,050	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Financial assets derecognised during the period other than write offs	(130,253)	(588)	(33,461)	(164,302)
New financial assets originated	18,166	231,100	380,079	629,345
Total net P&L release during the period	(490,044)	120,960	834,127	465,043
Other movements with no P&L impact				
Write-offs	-	-	97,628	97,628
Loss allowance as at 31 December 2024	(30,700)	129,031	1,771,663	1,869,994

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2023	1,393,330	214,520	1,724,263	3,332,113
Transfers:				
Transfer from stage 1 to stage 2	34,990	(34,990)	-	-
Transfer from stage 1 to stage 3	(275,192)	-	275,192	-
Transfer from stage 2 to stage 1	(22,805)	22,805	-	-
Transfer from stage 2 to stage 3	-	(89,060)	89,060	-
Transfer from stage 3 to stage 2	-	-	-	-
Financial assets derecognised during the period other than write offs	-	-	-	-
New financial assets originated	(1,111,523)	(109,637)	(1,507,924)	(2,729,084)
Total net P&L release during the period	440,544	4,433	292,778	737,755
Other movements with no P&L impact				
write-offs	-	-	(33,461)	(33,461)
Loss allowance as at 31 December 2023	459,344	8,071	839,908	1,307,323

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.1 Changes in the loss allowance (continued)

(c) Overdraft

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2024	6,944	-	199,235	206,179
New financial assets originated	2,466			2,466
Transfers	(5,555)		(65,545)	(71,100)
Total net P&L charge during the period	(3,089)	-	(65,545)	(68,634)
Other movements with no P&L impact				
Write-offs	-	-	-	-
Loss allowance as at 31 December 2024	3,855	-	133,690	137,545

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2023	204,217	-	-	204,217
Transfers:	1,962	-	-	1,962
New financial assets originated	(199,235)	-	199,235	-
Total net P&L charge during the period	6,944	-	199,235	206,179
Other movements with no P&L impact				
Write-offs	-	-	-	-
Loss allowance as at 31 December 2023	6,944	-	199,235	206,179

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.2 Changes on the gross carrying amount.

The following tables explain changes in the gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance for the same portfolio:

(a) Unsecured term Loans-Gross Loans

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 1 January 2024	26,640,261	63,985	188,177	26,892,423
Transfers:				
Transfer from stage 1 to stage 2	(64,638)	64,638	-	-
Transfer from stage 1 to stage 3	(14,708)		14,708	--
Transfer from stage 2 to stage 1	(14,627)	14,627	-	-
Transfer from stage 2 to stage 3	-	(1,174)	1,174	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Financial assets derecognised during the period other than write offs	(1,178,298)	(31,034)	(79,141)	(1,288,473)
New financial assets originated	13,551,232	261,672	5,268,444	19,081,348
Write-offs	-	-	(173,290)	(173,290)
Gross carrying amount as at 31 December 2024	38,919,222	372,714	5,220,072	44,512,008

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 1 January 2023	47,840,387	1,044,894	2,546,738	51,432,019
Transfers:				
Transfer from stage 1 to stage 2	619,500	(619,500)	-	-
Transfer from stage 1 to stage 3	565,938		(565,938)	-
Transfer from stage 2 to stage 1	(13,831)	13,831	-	-
Transfer from stage 2 to stage 3	-	45,070	(45,070)	-
Transfer from stage 3 to stage 1	1,669	-	(1,669)	-
Transfer from stage 3 to stage 2	-	(14,837)	14,837	-
Financial assets derecognised during the period other than write offs	(29,674,980)	(410,414)	-	(29,635,328)
New financial assets originated	7,301,578	4,941	462,182	7,318,635
Write-offs	-	-	(2,222,903)	(2,222,903)
Gross carrying amount as at 31 December 2023	26,640,261	63,985	188,177	26,892,423

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.2 Changes on the gross carrying amount (continued)

(b) Secured term loans-Gross loans (continued)

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 1 January 2024	79,771,362	1,011,392	188,648	81,052,913
Transfers:				
Transfer from stage 1 to stage 2	(1,250,645)	1,250,645	-	-
Transfer from stage 1 to stage 3	(1,514,024)	-	1,514,024	-
Transfer from stage 2 to stage 1	(68,390)	68,390	-	-
Transfer from stage 2 to stage 3	-	(471,138)	471,138	-
Transfer from stage 3 to stage 1	(51,078)	-	51,078	-
Transfer from stage 3 to stage 2	-	(36,649)	36,649	-
Financial assets derecognised during the period other than write offs	(40,637,785)	(2,080,571)	(2,427,306)	(45,145,662)
New financial assets originated or purchased	21,865,967	907,396	12,169,444	34,942,807
Write-offs	-	-	(3,312,669)	(3,312,669)
Gross carrying amount as at 31 December 2024	58,115,407	1,849,465	7,572,517	67,537,389

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 1 January 2023	38,108,037	1,690,703	3,714,209	43,512,949
Transfers:				
Transfer from stage 1 to stage 2	535,743	(535,743)	-	-
Transfer from stage 1 to stage 3	125,241	-	(125,241)	-
Transfer from stage 2 to stage 1	(20,570)	20,570	-	-
Transfer from stage 2 to stage 3	-	19,524	(19,524)	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Financial assets derecognised during the period other than write offs	(21,858,618)	(242,921)	(2,337,607)	(24,439,146)
New financial assets originated or purchased	62,881,529	59,259	1,704,581	64,645,369
Write-offs	-	-	(2,747,770)	(2,747,770)
Gross carrying amount as at 31 December 2023	79,771,362	1,011,392	188,648	81,052,913

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.2 Changes on the gross carrying amount (continued)

(c) Overdraft

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 31 January 2024	1,066,891	-	590,099	1,656,990
Transfers:				
New financial assets originated	(660,227)	-	(456,409)	(1,116,636)
Write-offs	-	-	-	-
Gross carrying amount as at 31 December 2024	406,664		133,690	540,354

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 31 January 2023	1,819,109	-	-	1,819,109
Transfers:				
New financial assets originated	(752,218)	-	590,099	(162,119)
Write-offs	-	-	-	-
Gross carrying amount as at 31 December 2023	1,066,891	-	590,099	1,656,990

5.1.6 Amounts due from banks

Balances due from other banks are categorized as stage 1. They are interbank loans receivables (placements). They exclude bank accounts with other banks. The expected credit Loss is shown below. (2023: 1,288).

2024	Exposure as at 31 Dec 2024	ECL as at 31 Dec 2024	% of ECL as at 31 Dec 2024
Placements with other banks	1,223,662	1,184	0.10

5.1.7 Debt securities, treasury bills and other eligible bills

The Bank holds investments in Treasury Bills and bonds issued by the Government. At the end of reporting period, these investments were categorized as stage 1. There are no credit ratings for these investments. The Expected Credit Loss (ECL) for these assets is shown below as at 31 December 2024 (2023: 143,513).

2024	Exposure as of 31 Dec 2024	ECL as of 31 Dec 2024	% of ECL as at 31 Dec 2024
Treasury Bonds	26,115,095	54,475	0.21
Treasury Bills	13,249,910	15,749	0.11

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1.8 Balances with bank of Tanzania and other assets

Other banks accounts and balances with Bank of Tanzania are categorized as stage 1. The Bank has used simplified model for estimation of ECL. The impact for 2024 has been displayed in the table below (2023:7,647).

2024	Exposure as at 31 Dec 2024	ECL as at 31 Dec 2024	% of ECL as at 31 Dec 2024
BOT & bank balances	18,884,368	6,520	0.03

5.1.9 Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security. Repossessed properties are usually sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

5.1.10 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2024. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1.10 Concentration of risks of financial assets with credit risk exposure (Continued)

Credit risk exposures relating to on-balance sheet assets are as follows						
31-Dec-24	Tanzania TZS '000	Europe TZS '000	America TZS '000	Others TZS '000	Total TZS '000	
Balances with the Bank of Tanzania	18,877,848	-	-	-	18,877,848	
Placement and balances with other banks	1,692,061	611,657	1,963,529	5,126	4,272,373	
Investment in Government securities						
- Amortised cost	39,294,781	-	-	-	39,294,781	
Loans and advances to customers:	108,753,777	-	27,655	-	108,781,432	
Unquoted equity investment	39,000	-	-	-	39,000	
Other financial assets (Excluding Prepayments)	4,083,976	-	-	-	4,083,976	
As at 31 December 2024	172,741,443	611,657	1,991,184	5,126	175,349,410	
Credit risk exposures relating to off-balance sheet assets are as follows:						
Letters of credit and guarantee	5,917,590	-	-	-	5,917,590	
Undrawn commitments	257	-	-	-	257	
Total exposure as at 31 December 2024	5,917,847	-	-	-	5,917,847	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.10 Concentration of risks of financial assets with credit risk exposure (continued)

(a) Geographical sectors (continued)

Credit risk exposures relating to on-balance sheet assets are as follows	Tanzania	Europe	America	Others	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
31 December 2023					
Balances with the Bank of Tanzania	18,109,767	-	-	-	18,109,767
Placement and balances with other banks	1,518,723	165,538	-	1,985,502	3,669,763
Investment in Government securities					
- Amortised cost	37,008,624	-	-	-	37,008,624
Loans and advances to customers:	106,814,636	-	-	-	106,814,636
Unquoted equity investment	39,000	-	-	-	39,000
Other financial assets (Excluding Prepayments)	7,088,520	-	-	-	7,088,520
As at 31 December 2022	170,579,270	165,538	-	1,985,502	172,730,310
Credit risk exposures relating to off-balance sheet assets are as follows:					
	1,111,178	-	-	-	1,111,178
Undrawn commitments	193	-	-	-	193
Total exposure as at 31 December 2023	1,111,371	-	-	-	1,111,371

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk (continued)

5.1.10 Concentration of risks of financial assets with credit risk exposure (continued)

(b) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors of its counterparties. (Amounts are in TZS' Millions):

31 December 2024	Financial institutions TZS '000	Manufacturing TZS '000	Transport and communication TZS '000	Wholesale and retail TZS '000	Agriculture TZS '000	Individuals TZS '000	Others TZS '000	Total TZS '000
Balances with the Bank of Tanzania	18,877,848	-	-	-	-	-	-	18,877,848
Placement and balances with other banks	4,273,557	-	-	-	-	-	-	4,273,557
Investment in Government securities								
- Amortized cost	39,294,781	-	-	-	-	-	-	39,294,781
Loans and advances to customers:	-	41,981,806	1,385,809	697,420	10,671,478	45,351,376	8,693,543	108,781,432
Unquoted equity investment	39,000	-	-	-	-	-	-	39,000
Other assets (excluding prepayments)	4,083,976	-	-	-	-	-	-	4,083,976
As at 31 December 2024	66,569,162	41,981,806	1,385,809	697,420	10,671,478	45,351,376	8,693,543	175,350,594

PD Ranges:

Stage 1	1%	1%	1%	1%	1%	1%	1%
Stage 2	45%	46%	42%	45%	48%	46%	36%
Stage 3	77%	76%	79%	77%	79%	70%	76%

Credit risk exposures relating to off-balance sheet assets are as follows:

Letters of credit and guarantee	-	-	-	5,917,590	-	-	-	5,917,590
Undrawn commitments	-	-	-	257	-	-	-	257
Total exposure as at 31 December 2024	-	-	-	5,917,847	-	-	-	5,917,847

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk (continued)

5.1.10 Concentration of risks of financial assets with credit risk exposure (continued)

(b) Industry sectors

31 December 2023	Financial institutions TZS '000	Manu facturing TZS '000	Transport and communication TZS '000	Wholesale and retail TZS '000	Agriculture TZS '000	Individuals TZS '000	Others TZS '000	Total TZS '000
Balances with the Bank of Tanzania	18,109,767	-	-	-	-	-	-	18,109,767
Placement and balances with other banks	3,669,763	-	-	-	-	-	-	3,669,763
Investment in Government securities	37,008,624	-	-	-	-	-	-	37,008,624
- Amortized cost	-	-	-	-	-	-	-	-
Loans and advances to customers:	-	54,339,683	1,150,430	577,444	6,463,318	34,236,690	10,047,071	106,814,636
Unquoted equity investment	-	-	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	-	-	7,088,520	7,088,520
As at 31 December 2023	58,788,154	54,339,683	1,150,430	577,444	6,463,318	34,236,690	17,174,591	172,730,310
PD Ranges:								
Stage 1	1%	2%	1%	1%	1%	1%	2%	
Stage 2	51%	47%	43%	45%	48%	51%	38%	
Stage 3	74%	76%	79%	77%	80%	74%	79%	
Credit risk exposures relating to off-balance sheet assets are as follows:								
Letters of credit and guarantee	-	-	-	1,111,178	-	-	-	1,111,371
Undrawn commitments	-	-	-	193	-	-	-	193
Total exposure at 31 December 2023	-	-	-	1,111,371	-	-	-	1,111,371

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Banks Assets and Liability Committee (ALCO) and heads of department.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and corporate banking assets and liabilities.

4.1.1 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2024. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk - on - and off - balance sheet financial instruments:

As at 31 December 2024	USD TZS'000	EURO TZS'000	GBP TZS'000	Others TZS'000	Total TZS'000
Assets					
Cash and balances with Bank of Tanzania	9,422,783	80,775	2,844	11,529	9,517,931
Placement and balances with other banks	1,963,529	610,049	1,608	5,126	2,580,312
Loans and advances to customers	27,655	-	-	-	27,655
Total financial assets	11,413,967	690,824	4,452	16,655	12,125,898
Liabilities					
Deposits from customers	11,173,780	337,194	796	-	11,511,770
Deposits from other banks	-	-	-	-	-
Total financial liabilities	11,173,780	337,194	796	-	11,511,770
Net on-balance sheet financial position	(240,187)	(353,630)	(3,656)	(16,655)	(614,128)
	(240,187)	(353,630)	(3,656)	(16,655)	(614,128)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.1 Foreign exchange risk (continued)

As at 31 December 2023	USD TZS'000	EURO TZS'000	GBP TZS'000	Others TZS'000	Total TZS'000
Assets					
Cash and balances with Bank of Tanzania	4,325,641	25,468	9,797	3,531	4,364,437
Placement and balances with other banks	3,502,119	165,508	-	-	3,667,627
Loans and advances to customers	163,532	-	-	-	163,532
Total financial assets	7,991,292	190,976	9,797	3,531	8,195,596
Liabilities					
Deposits from customers	8,003,886	138,686	870	-	8,143,442
Deposits from other banks	-	-	-	-	-
Total financial liabilities	8,003,886	138,686	870	-	8,143,442
Net on-balance sheet financial position	12,594	(52,290)	(8,927)	(3,531)	(52,154)

Foreign exchange sensitivity analysis

The impact of fluctuation of Bank's post tax profit for the year resulting from foreign exchange movements, keeping all other variables held constant on translation of foreign currency dominated cash and balances with the Bank of Tanzania, placements and balances with other banks, loans and deposits from customers and other banks is analysed in the table below

	% change in exchange rate	2024 TZS'000	2023 TZS'000
USD	1%	2,443	126
EURO	1%	2,638	523
GBP	1%	37	89

The effect of translation of placements and balances with other banks in Kenyan shillings is not considered to be significant.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce losses if unexpected movements arise. The Bank's Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly by the Bank. The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

As at 31 December 2024	Up to 1 month	1 - 3 months	3 - 12 months	Above 1 year	Non-interest bearing	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets						
Cash and balances with Bank of Tanzania	-	-	-	-	31,923,407	31,923,407
Investment in Government securities						
- Amortised cost	2,962,926	1,468,388	8,818,596	26,044,871	-	39,294,781
Balances with other banks	4,272,373	-	-	-	-	4,272,373
Loans and advances to customers	3,369,826	5,103,949	23,811,343	76,496,314	-	108,781,432
Unquoted Equity Investments	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	4,083,976	4,083,976
Total financial assets	10,605,125	6,572,337	32,629,939	102,541,185	36,046,383	188,394,969
Liabilities						
Deposits from other banks	6,726,045	10,680,520	-	-	-	17,406,565
Lease liability	-	-	62,000	12,623,905	-	12,685,905
Deposits from customers	81,860,518	220,440	31,898,436	2,488,915	43,564,712	160,033,021
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	4,580,288	4,580,288
Total financial liabilities	88,586,563	10,900,960	31,960,436	15,112,820	48,145,000	194,705,779
Total interest repricing gap	(77,981,438)	(4,328,623)	669,503	87,428,365	(12,098,617)	(6,310,810)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

As at 31 December 2023	Up to 1 month	1 - 3 months	3 - 12 months	1-5 years	Non-interest bearing	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets						
Cash and balances with Bank of Tanzania	-	-	-	-	27,955,971	27,955,971
Investment in Government securities						
- Amortised cost	-	-	11,529,572	25,479,052	-	37,008,624
Balances with other banks	3,669,763	-	-	-	-	3,669,763
Loans and advances to customers	5,148,044	2,450,447	29,617,800	69,598,345	-	106,814,636
Unquoted Equity Investments	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	7,088,520	7,088,520
Total financial assets	8,817,807	2,450,447	41,147,372	95,077,397	35,083,491	182,576,514
Liabilities						
Deposits from other banks	8,406,688	-	-	-	-	8,406,688
Lease liability	-	-	4,665,661	9,397,923	-	14,063,584
Deposits from customers	63,411,017	12,278,471	20,516,800	9,722,401	46,841,628	152,770,317
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	3,500,980	3,500,980
Total financial liabilities	71,817,705	12,278,471	25,182,461	19,120,324	50,342,608	178,741,569
Total interest repricing gap	(62,999,898)	(9,828,024)	15,964,911	75,957,073	(15,259,117)	3,834,945

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

Interest rate risk sensitivity

The interest rate risk sensitivity of the net mismatch between interest bearing assets and liabilities up to 12 months is summarised below. This assumes a 1% adverse movement in interest rates over the period (amounts in TZS Thousand).

Sensitivity period	Interest-bearing assets	Interest-bearing liabilities	Net Impact
2024			
Less than 30 days	-	-	-
1 year	326,299	319,604	6,695
2023			
Less than 30 days	-	-	-
1 year	411,474	251,825	159,649

5.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

5.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Bank's Asset and Liability Committee (ALCO), includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities. Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Notes 5.3.3).

5.3.2 Funding approach

Sources of liquidity are regularly reviewed by Bank's Asset and Liability Committee to maintain a wide diversification by currency, geography, provider, product, and term.

5.3.3 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of reporting period. The amounts disclosed in the table below are the undiscounted cash flows of liabilities and assets held for managing liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

5.3.3 Non-derivative cash flows (Continued)

As at 31 December 2024	Carrying amount	Gross nominal inflow (outflow)	Up to 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non-interest bearing
Financial liability by type			TZS '000	TZS '000	TZS '000	TZS '000	
Deposits from customers	160,033,021	(188,215,591)	(55,619,485)	(46,742,354)	(38,192,613)	(4,096,427)	(43,564,712)
Deposits from other Banks	17,406,565	(17,689,121)	(7,008,601)	(10,680,520)	-	-	-
Lease liability	12,685,905	(14,655,234)	-	-	(62,000)	(14,593,234)	-
Other liabilities (excluding non-financial liabilities)	4,580,288	(4,580,288)	-	-	-	-	(4,580,288)
Total liabilities	194,705,779	(225,140,234)	(62,628,086)	(57,422,874)	(38,254,613)	(18,689,661)	(48,145,000)
Financial asset by type							
Cash and balances with Bank of Tanzania	31,923,407	31,929,927	-	-	-	-	31,929,927
Government securities - Amortized cost	39,294,781	61,016,122	14,050,000	-	-	46,966,122	-
Balances with other banks	4,272,373	4,297,050	4,297,050	-	-	-	-
Loans and advances to customers	108,781,432	135,732,769	3,462,103	5,482,870	31,907,200	94,880,596	-
Other assets (excluding prepayments)	4,083,976	4,083,976	-	-	-	-	4,083,976
Unquoted Equity Investments	39,000	39,000	-	-	-	-	39,000
Net liquidity gap	188,394,969	237,098,844	21,809,153	5,482,870	31,907,200	141,846,718	36,052,903
Off balance sheet	6,310,810	11,958,610	(40,818,933)	(51,940,004)	(6,347,413)	123,157,057	(12,092,097)
	5,917,847	5,917,847	-	-	5,917,847	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

5.3.3 Non-derivative cash flows (Continued)

As at 31 December 2023	Carrying amount	Gross nominal inflow (outflow)	Up to 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non-interest bearing
Financial liability by type	TZS '000		TZS '000	TZS '000	TZS '000	TZS '000	
Financial liability by type							
Deposits from customers	152,770,317	(153,836,708)	(63,411,017)	(12,424,187)	(22,530,616)	(8,629,260)	(46,841,628)
Deposits from other Banks	8,406,688	(8,408,509)	(8,408,509)	-	-	-	-
Lease liability	14,063,584	(14,065,348)	-	(4,665,856)	-	(9,399,492)	-
Other liabilities (excluding non-financial liabilities)	3,500,980	(3,500,980)	-	-	-	-	(3,500,980)
	178,741,569	(179,811,545)	(71,819,526)	(17,090,043)	(22,530,616)	(18,028,752)	(50,342,608)
Financial asset by type							
Cash and balances with Bank of Tanzania	27,955,971	27,970,854	-	-	-	-	27,970,854
Government securities-Amortised cost	37,008,624	48,621,350	-	-	-	48,621,350	-
Balances with other banks	3,669,763	3,685,420	3,685,420	-	-	-	-
Loans and advances to customers	106,814,636	149,407,483	7,419,921	3,587,643	43,362,739	95,037,180	-
Other assets (excluding prepayments)	7,088,520	7,088,520	-	-	-	-	7,088,520
Unquoted Equity Investments	39,000	39,000	-	-	-	-	39,000
	182,576,514	236,812,627	11,105,341	3,587,643	43,362,739	143,658,530	35,098,374
Net liquidity gap	(3,834,945)	57,001,082	(60,714,185)	(13,502,400)	20,832,123	125,629,778	(15,244,234)
Off balance sheet	1,111,371	1,111,371	-	-	1,111,371	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3.4 Assets held for managing liquidity risk.

The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Tanzania (excluding SMR).
- Loans and advances to customers.
- Investment in government securities; and
- Placements and balances with other banks:

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

5.4 Off-balance sheet items

(a) Undrawn commitments, outstanding letters of credit, guarantee and indemnities

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 29) are summarised in the table below;

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 29) are also included below based on the earliest contractual maturity date.

	No later than		
	1 year	1 - 5 years	Total
	TZS'000	TZS'000	TZS'000
As at 31 December 2024			
Letters of credit and guarantee	5,917,590	-	5,917,590
Undrawn commitments	257	-	257
Total	5,917,847		5,917,847
As at 31 December 2023			
Letters of credit and guarantee	1,111,178	-	1,111,178
Undrawn commitments	193	-	193
Total	1,111,371		1,111,371

5.5 Fair value

IFRS 13 requires the Bank to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements

The Bank specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. There were no transfers between the levels during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Fair value (continued)

i) Fair value of financial assets and liabilities that are not measured at fair value

Cash and balances with Bank of Tanzania

The carrying amount of cash and balances with Bank of Tanzania is a reasonable approximation of fair value.

Investment in government securities

Investment in government securities includes treasury bonds and treasury bills. These are measured at amortized cost using effective interest rate method.

Loans and advances to banks

Loans and advances to banks include inter-bank placements and items during collection. These are measured at amortized cost using effective interest rate method.

Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Deposits from banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand which approximates its carrying value.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

31December 2024	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
Financial assets	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cash and balances with Bank of Tanzania		31,923,407		31,923,407	31,923,407
Government securities measured at amortized cost		41,665,231		41,665,231	39,294,781
Placement and balances with other banks		4,272,373		4,272,373	4,272,373
Loans and advances to customers		135,732,769		135,732,769	108,781,432
Unquoted equity investment		-	39,000	39,000	39,000
Other assets (excluding prepayment)		4,083,976		4,083,976	4,083,976
Deposits from customers		188,215,591		188,215,591	160,033,021
Deposits from banks		17,406,565		17,406,565	17,406,565
Other liabilities (Excluding non-financial other liabilities)		4,580,288		4,580,288	4,580,288

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Fair value (continued)

i) Fair value of financial assets and liabilities that are not measured at fair value

31 December 2023	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
Financial assets	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cash and balances with Bank of Tanzania		27,955,971	-	27,955,971	27,955,971
Government securities measured at amortized cost		39,616,396	-	39,616,396	37,008,624
Placement and balances with other banks		3,669,763	-	3,669,763	3,669,763
Loans and advances to customers		131,030,397	-	131,030,397	106,814,636
Unquoted equity investment		-	39,000	39,000	39,000
Other assets (excluding prepayment)		7,088,520	-	7,088,520	7,088,520
Deposits from customers		153,381,502	-	153,381,502	152,770,313
Deposits from banks		8,406,688	-	8,406,688	8,406,688
Other liabilities (Excluding non-financial other liabilities)			-		
		3,500,980		3,500,980	3,500,980

There was no transfer of assets between the fair value hierarchy levels.

5.6 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial positions, are:

- To comply with the capital requirements set by the Bank of Tanzania (BoT).
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania (BoT), for supervisory purposes. The required information is filed with the BoT monthly.

The Bank of Tanzania requires each bank or banking group to:

- Hold a minimum level of core capital of TZS 15 billion.
- Maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets above the required minimum of 12.5%; and
- Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.
- Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures. The capital conservation buffer is to be made up of items that qualify as tier 1 capital.

When a bank is holding capital conservation buffer of less than 2.5% of risk-weighted assets and off-balance sheet exposures but is meeting its minimum capital requirements that bank:

- Shall not distribute dividends to shareholders or bonuses to senior management and other staff members until the buffer is restored to at least 2.5%.
- Shall submit a capital restoration plan to Bank of Tanzania within a period specified by BoT, indicating how the bank is going to raise capital to meet its minimum requirement including capital conservation buffer within a specified period; and
- If BoT does not approve the capital restoration plan, it may direct the bank to raise additional capital within a specified time to restore its capital conservation buffer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.6 Capital management (continued)

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses and deferred charges.
- Tier 2 capital: means general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialize, subordinated debts, cumulative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2024 and year ended 31 December 2023. In 2023 the Bank was compliant to minimum core capital required by regulator of TZS 15 billion and capital adequacy ratios of 12.5% for Tier 1 capital.

	2024	2023
Tier 1 capital	TZS 000	TZS 000
Share capital	27,797,416	27,797,416
Preference shares	11,622,798	11,622,798
Share premium	2,431,917	2,431,917
Accumulated losses	(23,621,094)	(19,214,523)
Deferred tax	(3,195,563)	(6,391,125)
Prepaid expenses	(1,254,776)	(1,191,334)
Others (Advance towards share capital)	-	-
Total qualifying Tier 1 capital	13,780,698	15,055,149
Tier 2 capital		
Allowance supplementary capital	-	-
Total qualifying Tier 2 capital	-	-
Total regulatory capital (Tier 1 & Tier 2)	13,780,698	15,055,149
Risk-weighted assets		
On-balance sheet	99,000,927	107,679,456
Off-balance sheet	1,422,378	368,130
Operational Risk	12,363,495	11,671,309
Market Risk	192,459	64,749
Total risk-weighted assets, operational and market risk	112,979,259	119,783,644

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.6 Capital management (continued)

	2024	2023
	%	%
Tier 1 capital (BOT minimum 12.5%)	12.20%	12.57%
Tier 1 + Tier 2 capital (BOT minimum 14.5%)	12.20%	12.57%

As at 31st December 2024 the bank's core capital was TZS 13.8 billion which is below the minimum level of the regulatory capital of TZS 15 billion required by the Banking and Financial Institutions Act 2006 and its Regulations. In addition, the bank's capital ratios were 12.2% and 12.2% for Tier 1 and Tier 2 respectively against the required 12.5% for Tier 1 and 14.5% for Tier 2. However, on 27 March 2025 TZS 10 billion was injected as advance towards share capital which will increase the core capital to TZS 23 billion and regularizes the capital position to above the minimum requirement.

6. INTEREST INCOME

Interest on Loans and advances to customers	25,208,757	24,251,808
Interest from Government securities- T. Bills	1,043,937	746,228
Interest from Government securities- T. Bonds	3,449,536	3,294,200
(a) Total interest income calculated using the effective interest	29,702,230	28,292,236
(b) Interest from placement with other banks	96,356	110,340
Total interest income	29,798,586	28,402,576

7. INTEREST EXPENSES

	2024	2023
	TZS '000	TZS '000
Savings deposits	1,254,905	1,230,229
Time deposits	5,699,865	4,336,263
Lease liability	1,370,934	1,527,521
Borrowings from other banks	1,494,814	1,137,556
	9,820,518	8,231,569

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8. FEES AND COMMISSION INCOME

In the following table, fee and commission income from contract with customers in the scope of IFRS 15 is disaggregated by major service lines.

	2024	2023
	TZS '000	TZS '000
Commission income	1,103,881	1,190,502
Bancassurance commissions income (see Note A below)	393,704	556,221
ATM Card	67,183	59,594
ATM Fees	289,822	147,078
Loans commitment fees	1,794,771	1,616,003
Interest from early liquidated loan	15,762	32,408
Withdrawal charges	200,219	251,779
Ledger fees	605,115	694,008
Telegraphic transfer	95,993	102,909
Salary processing	28,936	37,192
Other fees	60,230	59,646
	4,655,616	4,747,340

Contract balances

Contract liabilities, which are included in other liabilities – Note 26 (Deferred facility fees)

1,591,532	1,666,243
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The contract liabilities primarily relate to the non-refundable up-front fees received from customers on originating of loan contract. This is recognised as revenue over the period for which a customer is expected to continue receiving loan administration services. The weighted-average expected period at 31 December 2024 was 1.8 years (2023: 1.8 years).

The contracts do not have a minimum stated term. A customer can cancel an asset contract at any time after contract inception for a surrender charge, which is usually insignificant. Because the customer has discretion over when to terminate the contract, the contract does not have a significant financing component.

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, servicing fees and banc assurance services. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers on an annual basis.

Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

For the accounting policy for fees and commissions in the scope of IFRS 9, see Note 3.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8. FEES AND COMMISSION INCOME (CONTINUED)

	2024	2023
(a) Bancassurance Commission and expenses	TZS '000	TZS '000
Commission – General Bima	230,022	327,494
Commission – Life Bima	163,682	228,727
Net fees and commission	393,704	556,221
Operating expenses		
Staff Costs	41,273	41,273
Infrastructure cost	-	-
Administration and general expenses	-	-
Total Expenses	41,273	41,273
Net profit	352,431	514,948

9. FOREIGN EXCHANGE INCOME

Foreign Currency trading	1,680,733	500,316
	1,680,733	500,316

10. OTHER OPERATING INCOME

Credit Insurance Income	23	(11,821)
Profit on disposal of property and equipment	37,692	138,594
Other income/(Loss)	67,226	(28,403)
	104,941	98,370

11. STAFF COSTS

Staff Salaries	11,001,484	12,083,951
Social Security Costs	1,168,746	1,206,538
Medical insurance	796,511	964,839
Leave allowance	3,908	46,260
Staff welfare	318,207	401,759
Staff Incentives	721,650	415,314
Skill and development levy	413,938	459,569
Workers Compensation Fund	57,985	57,174
Field Transport Expenses	-	226,848
Other staff cost	223	167,719
	14,482,652	15,616,657

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12. GENERAL AND ADMINISTRATION EXPENSES

	2024	2023
	TZS '000	TZS '000
Umoja Switch Expenses	667,081	191,437
Advertising and Marketing	529,294	557,693
ICT infrastructure expenses	1,490,565	1,231,777
Internet and Other IT Consumables	779,045	631,235
Technical assistance	376,068	146,506
Auditors' remuneration	215,759	241,482
Directors' fees	131,600	124,613
Directors Expenses	105,271	134,946
Training	399,586	221,137
Newspapers and magazines	2,870	3,244
Travel and lodging	342,098	440,419
Maintenance Equipment	372,402	285,019
Akiba Mobile expenses	255,809	285,085
Fuel Motor vehicle & Generator	334,437	189,165
Telephones	120,300	100,546
Stationery expense	322,744	332,448
Insurance	523,117	526,683
Subscription & Professional fees	352,162	294,491
Legal expense	698,530	735,677
Security	1,098,706	1,139,483
Electricity	327,688	326,353
Premises expenses	670,217	504,812
Postage and courier expense	41,479	52,069
Auctioneers Expenses	574,257	434,095
Bank Charges	31,806	31,718
Agent Bank Deposit Commission	449,898	294,337
Miscellaneous expenses	1,002,256	967,479
Alternative Minimum Tax	150,000	127,585
	12,365,045	10,551,534

13. DEPRECIATION AND AMORTISATION

Depreciation-Property and equipment (Note 20)	2,581,435	1,991,031
Amortization-Intangible assets (Note 21)	243,381	111,220
	2,824,816	2,102,251

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

14. INCOME TAX

INCOME TAX	2024 TZS '000	2023 TZS '000
(a) Tax expense for the year is arrived at as follows:		
Current income tax -prior year	-	-
Deferred income tax – relating to prior years	-	284,565
Deferred income tax derecognized in the current year	-	188,620
	-	473,185
(b) Reconciliation of tax expense to the expected tax based on accounting profit.		
Accounting loss before tax	(5,823,262)	(1,540,206)
Tax calculated at the statutory income tax rate of 30%	(1,746,979)	(462,062)
Tax effect of:		
Expenditure permanently disallowed	92,259	462,062
Unrecognised deferred tax	1,654,720	188,620
Prior years corporate tax	-	-
Prior year deferred tax under-provision	-	284,565
Income tax expense	-	473,185
(c) Current income tax asset		
At 1 January	(151,375)	(151,375)
Income taxes	-	-
Tax refund	-	-
Payments made during year	-	-
Others	-	-
	(151,375)	(151,375)

15. Cash and Balances with the Bank of Tanzania

Cash in Hand	13,045,559	9,846,204
Balances with Bank of Tanzania		
Clearing account - local currency	3,390,395	7,918,646
Clearing account - foreign currency	6,238,882	2,084,981
Statutory minimum reserve	9,255,091	8,121,023
	31,929,927	27,970,854
Allowance for impairment	(6,520)	(14,883)
Net balance	31,923,407	27,955,971

The SMR deposit is not available to finance the Bank's day to day operations and is excluded from cash and cash equivalent for the purpose of the cash flows statement (Note 27)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

16. BALANCES WITH OTHER BANKS

	2024	2023
	TZS '000	TZS '000
Maturing within 90 days		
Balances with banks abroad	1,344,542	2,152,296
Cheques and items in the course of clearing	1,705,046	2,610
Balance with other banks	307	307
Placements with other banks	1,223,662	1,515,836
Gross balance	4,273,557	3,671,049
Allowance for impairment	(1,184)	(1,286)
Net balance	4,272,373	3,669,763

17. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers	106,099,380	104,183,792
Staff loans	6,490,371	5,337,023
Gross loans and advances	112,589,751	109,520,815
Less: allowance for impairment	(3,808,319)	(2,706,179)
	108,781,432	106,814,636

Gross loans and advances to customers by class are as follows:

Micro and Small Enterprises (MSEs)	30,117,137	43,168,369
Consumer loans	44,830,543	26,999,289
Corporate loans	37,278,096	37,743,545
Overdrafts	363,975	1,609,612
	112,589,751	109,520,815

Analysis of loans and advances to customers by maturity

Maturing:		
Within 1 year	32,738,126	37,383,099
Between 1 year and 5 years	79,851,625	72,137,716
	112,589,751	109,520,815

Movement of loans and advances impairment allowance

Balance at 1 January	2,869,214	5,359,924
Impairment losses for the year	4,198,026	647,958
Loans and advances written off during the year	(3,485,959)	(3,138,668)
	3,581,281	2,869,214

Impairment charge to profit or loss is broken as follows

Impairment charge for credit loss	4,231,603	1,387,111
Amount recovered	(1,661,496)	(2,600,314)
	2,570,107	(1,213,203)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

18. (a) GOVERNMENT SECURITIES

	2024	2023
	TZS 000	TZS 000

Treasury Bills

Maturing after 91 days

13,249,910 11,529,572

Treasury bills are debt securities issue by the Government of the United Republic of Tanzania and are measured at amortized cost.

18. (b) TREASURY BONDS

Treasury Bonds	24,500,001	23,438,991
Accrued Bond Discount and Premium	593,607	817,899
Accrued Coupon Interest	1,021,487	1,369,028
	26,115,095	25,625,918
Gross amount	39,365,005	37,155,490
Allowance for impairment	(70,224)	(146,866)
Net balance	39,294,781	37,008,624

Movement of Government Securities as per Statement of Cashflow

01 January	37,155,490	39,600,640
Additions	14,500,000	13,049,542
Proceeds from matured Government securities	(12,340,485)	(15,494,692)
31 December	39,365,005	37,155,490

19. UNQUOTED EQUITY INVESTMENT

Investment in shares	39,000	39,000
	39,000	39,000

Investment in shares represent 20 ordinary shares in Umoja Switch Company Limited. The Investment represent 9.1% of the Company's total issued and paid-up ordinary share capital. There has not been significant changes in fair value during the year.

Umoja Switch Company Limited is a jointly controlled operation whereby 11 banks have pulled together resources to invest in a nationwide ATM network. Each bank has equal voting right in respect of decision making except one Bank that has no shareholding ownership.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

20. PROPERTY AND EQUIPMENT

	Motor Vehicles	Fixtures, fittings and equipment	Leasehold improvements	Sub-total	Right of use asset	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost						
At 1 January 2024	1,272,595	11,976,940	6,437,353	19,686,888	19,247,446	38,934,334
Additions	-	1,248,584	12,795	1,261,379	-	1,261,379
Disposals	(197,504)	(213,128)	(202,107)	(612,739)	-	(612,739)
Re-measurement	-	-	-	-	-	-
At 31 December 2024	1,075,091	13,012,396	6,248,041	20,335,528	19,247,446	39,582,974
Depreciation						
At 1 January 2024	521,049	9,717,479	6,140,681	16,379,209	7,842,849	24,222,058
Charge for the year	230,967	657,977	134,231	1,023,175	1,558,260	2,581,435
Disposals	(197,504)	(213,128)	(202,107)	(612,739)	(394,325)	(1,007,064)
Re-measurement	-	-	-	-	-	-
At 31 December 2024	554,512	10,162,328	6,072,805	16,789,645	9,006,784	25,796,429

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

20. PROPERTY AND EQUIPMENT(continued)

	Motor Vehicles	Fixtures, fittings and equipment	Leasehold improvements	Sub-total	Right of use asset	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost						
At 1 January 2023	1,138,023	10,849,696	6,437,353	18,425,072	18,906,732	37,331,804
Additions	825,736	1,670,726	-	2,496,462	-	2,496,462
Disposals	(691,164)	(543,482)	-	(1,234,646)	-	(1,234,646)
Re-measurement	-	-	-	-	340,714	340,714
At 31 December 2023	1,272,595	11,976,940	6,437,353	19,686,888	19,247,446	38,934,334
Depreciation						
At 1 January 2023	1,058,292	9,847,826	6,000,711	16,906,829	6,559,578	23,466,407
Charge for the year	153,920	411,570	142,270	707,760	1,283,271	1,991,031
Disposals	(691,163)	(541,917)	(2,300)	(1,235,380)	-	(1,235,380)
Re-measurement	-	-	-	-	-	-
At 31 December 2023	521,049	9,717,479	6,140,681	16,379,209	7,842,849	24,222,058
NET BOOK VALUE						
As at 31 December 2024	520,579	2,850,068	175,236	3,545,883	10,240,662	13,786,545
As at 31st December 2023	751,546	2,259,461	296,672	3,307,679	11,404,597	14,712,276

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

21. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2024	2023
	TZS '000	TZS '000
Cost		
At start and end of the year	4,110,261	3,947,373
Additions	4,539,885	162,888
	8,650,146	4,110,261
Amortisation		
At start of year	3,579,234	3,468,014
Current year charge	243,381	111,220
At end of year	3,822,615	3,579,234
NET BOOK VALUE	4,827,531	531,027

22. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	1-January	Prior years	(Debit)/ Credit to	31-December
	TZS '000	overprovision TZS '000	profit or loss TZS' 000	TZS' 000
2024				
Tax losses	10,553,080	-	959,742	11,512,822
Property and equipment	27,550	-	(24,131)	3,419
Other timing differences	729,905	-	719,109	1,449,014
Total deferred tax	11,310,535	-	1,654,720	12,965,255
Unrecognized deferred tax	(4,919,410)	-	(1,654,720)	(6,574,130)
	6,391,125	-	-	6,391,125
2023				
Tax losses	10,185,735		367,345	10,553,080
Property and equipment	394,895	(82,068)	(285,277)	27,550
Other timing differences	1,676,505	(202,496)	(744,104)	729,905
Total deferred tax	12,257,135	(284,564)	(662,036)	11,310,535
Unrecognized deferred tax	(5,392,825)	284,564	188,851	(4,919,410)
	6,864,310	-	(473,185)	6,391,125

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

23. OTHER ASSETS

	2024	2023
	TZS '000	TZS '000
Other receivables	197,634	3,779,253
Less: allowance for impairment	(242,847)	(60,234)
Net other receivables	(45,213)	3,719,019
Float Balance	3,125,172	3,017,496
Agent Bank Deposit balance	1,129,391	393,790
Prepayments	1,254,776	1,191,334
	5,464,126	8,321,639

24. DEPOSITS FROM CUSTOMERS

Current accounts	23,657,821	30,252,294
Biashara accounts	18,070,368	16,589,335
Savings accounts	54,388,328	54,125,626
Time deposit accounts	62,922,910	51,592,478
Special deposits	993,594	210,584
	160,033,021	152,770,317
Maturity Analysis:		
Payable within three months	125,691,126	119,687,071
Payable within three to twelve months	31,898,436	17,362,149
Payable over one year	2,443,459	15,721,097
	160,033,021	152,770,317

25. LEASE LIABILITY

At start of the year	14,063,584	14,662,695
Finance Cost	1,370,934	1,527,521
Payment -Principal	(1,018,748)	(939,825)
-Interest	(1,370,934)	(1,527,521)
Forex	(352,186)	340,714
Re-Measurement*	(6,745)	-
	12,685,905	14,063,584

* Re-measurement of lease liability/asset was due to changes of lease prices and discount rate during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25. LEASE LIABILITY (CONTINUED)

	2024	2023
	TZS '000	TZS '000
The following amounts have been recognised in the statement of comprehensive income in respect of leases in which we are the lessee:		
Depreciation charge rights of use asset	1,558,260	1,283,271
Interest expense on lease liabilities	1,370,934	1,527,521
Expenses relating to leases of low value assets	126,960	126,960
	3,056,154	2,937,752
The following amounts have been presented on the cash flow statement		
Lease payment – Principal portion	(1,018,748)	(939,825)
Lease interest payment	(1,370,934)	(1,527,521)

Extensions options

Some leases of office premises contain extension options exercisable by the Bank up to one term after the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility.

The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options.

The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

26. OTHER LIABILITIES

Statutory deductions	368,609	421,096
Withholding Tax, AMT and VAT Payable	745,136	939,541
Deferred facility fees	1,591,532	1,666,243
Accrued leave	168,146	176,778
Other accrued expenses	446,829	292,225
Trade creditors	587,543	952,526
Auditor's fees payable	84,675	97,332
Directors' fees payable	-	60,788
Dividend payable	24,627	24,627
Mobile service payable	6,920	4,585
Loan insurance premium	1,003,100	68,093
Customer clearance payable	(3,493)	61,617
Bills and accounts payable	-	96,145
Other liabilities	112,591	-
	5,136,215	4,861,596

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

27. CASH AND CASH EQUIVALENTS

	2024	2023
	TZS '000	TZS '000
Cash and balances with Bank of Tanzania (Note 15)	31,929,927	27,970,854
Less SMR (Note 15)*	(9,255,091)	(8,121,023)
Unrestricted (Accessible) SMR (20% of SMR) **	1,851,018	1,624,205
Float balance	3,125,172	3,027,155
Agent Bank Deposit balance (Note 23)	1,129,391	393,790
Loans and advances to banks (Note 16)	4,273,557	3,671,049
	33,053,974	28,566,030

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition including: cash and balances with Bank of Tanzania, Government securities, and deposits and balances due from Banking instructions.

*SMR – Stands for Statutory Minimum Reserve. **20% of SMR is included as part of cash and cash equivalents for the reserve amount held in rolling basis (Refer to Note 34).

28. SHARE CAPITAL AND RESERVES

Authorised Share Capital

100,000,000 ordinary shares of TZS 1,000 each	100,000,000	100,000,000
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(a) Issued and fully paid

27,797,416 (2022:27,797,416) ordinary shares of TZS 1,000 each	27,797,416	27,797,416
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(b) Preference Shares

11,622,798 Perpetual Non-Cumulative Preference shares of TZS 1000 each		
Opening balance	11,622,798	5,959,680
Additional paid-up preference shares	-	5,663,118
	11,622,798	11,622,798

(c) Share premium

2,431,917	2,431,917
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(d) Regulatory Reserve

1,438,951	2,855,643
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A total of 11,622,798 Perpetual Non-Cumulative Preference shares with a par value of TZS 1,000 per share were issued to National Bank of Malawi as a result of the majority shareholders continued efforts to ensure that the Bank is properly capitalized.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

The irredeemable preference shares carry the right to call for and receive in priority any dividend on ordinary shares an annual non-cumulative preferential dividend at the rate of 5% per annum plus the right to fully participate in all ordinary dividends to be declared by the Company so that holder of the preference shares shall rank pari passu on any dividend declaration and payment, with the ordinary shareholders of the Company as if the preference shares were issued ordinary shares.

Regulatory reserve represents the surplus of provision for credit losses computed in accordance with Bank of Tanzania regulations over the provision for impairment of loans and advances computed in accordance with International Financial Reporting Standards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

29. OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS

In common with other Banks, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. Most of these facilities are offset by corresponding obligations of third parties.

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Acceptances are a draft or bill of exchange drawn upon and accepted by a Bank. Guarantees are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

At the end of the reporting period the Bank had outstanding acceptances, guarantees and letters of credit of TZS 5,918 million (2023: TZS 1,111 million).

At the end of the reporting period the Bank had outstanding commitments to extend credit amounting to TZS 257 million (2023: TZS 193 million).

Legal claims

The Bank is currently involved in legal proceedings and has in consultation with its legal counsel assessed the outcome of these proceedings. Following this assessment, the Bank's management made a provision of TZS 115 million as of 31 December 2024 (2023: 115 million). Apart from the ones provided, other litigations, current or pending, are not likely to have a material adverse effect to the Bank.

Various employees have sued the Bank for unfair dismissal. Furthermore, some loan customers have also sued the Bank. In the opinion of the directors, in combination with the Bank's legal advisors, the ultimate liability to the Bank in respect of the amounts claimed in these two situations is not expected to be material.

Tax disputes

As at 31 December 2024 the bank had potential outstanding tax exposure amounting to TZS 2.45 billion (2023: 3.24 billion). The bank has maintained a provision of TZS 1.3 billion while waiting for court hearing from Tax Revenue Appeals Board (TRAB).

Capital commitments.

There were no capital commitments authorized as at year end.

30. RELATED PARTY DISCLOSURES

The holding Company is National Bank of Malawi Plc incorporated in Malawi and the ultimate holding company is Press Corporation Plc, a company incorporated in Malawi. The following are the related parties with which the Bank transacted during the reporting period.

Parties are related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions.

Several Banking transactions are entered into with related parties in the normal course of business and on the Bank's normal commercial terms. The values of related party transactions, outstanding balances at the year end and the related expenses and income for the year are as follows:

(i) Loans and advances to related parties

Advances to shareholders and their related companies were as follows:

	2024 TZS 000	2023 TZS 000
Loans to shareholders and related companies		
At start of year	250,000	-
Repayment made	(11,94	-
At end of year	238,053	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

30. RELATED PARTY DISCLOSURES (CONTINUED)

Advances to key management personnel were as follows:

	2024	2023
	TZS 000	TZS 000
At start of year	700,392	632,252
Advances	97,603	182,536
Repayment made	(174,939)	(114,396)
At end of year	623,056	700,392
Interest income earned	19,738	22,189

Loans and advances to related parties were fully performing as at 31 December 2024 and 31 December 2023.

(ii) Deposits from related parties

(a) Deposits balances from shareholders

PSSSF	10,000,000	6,500,000
Inter Consult Limited	21,910	29,088
ERNCON Holdings Limited	120,794	39,836
	10,142,704	6,568,924

(b) Deposits from directors, key management personnel and their related parties

At start of year	108,744	195,684
Deposits made during the year	594,780	105,251
Deposits withdrawn	(410,759)	(192,191)
Balance as at 31 December	292,765	108,744
Interest expense incurred	1,457	541

(c) Deposits from shareholders

At start of year	6,546,886	16,506
Deposits made during the year	4,341,314	6,534,136
Deposits withdrawn	(745,496)	(3,756)
At end of year	10,142,704	6,546,886
Interest expense incurred	147,330	71,548

(iii) Key Management compensation

Salaries	1,828,849	2,075,059
Other short-term benefits	5,650	8,550
	1,834,499	2,083,609

Key management personnel are described as those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly, including any director of the Bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

30. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Deposits from related parties (continued)

(iv) Directors' holding shares at the Bank are listed below:

Name	Nationality	Ordinary shares of TZS 1,000 each	Nominal value TZS 000	Ordinary Shareholding %
Mr. Andrew Ernest Massawe (Erncon Holdings Ltd)	Tanzanian	1,808,627	1,808,627	6.51
Ms. Catherine Kimaryo	Tanzanian	15,122	15,122	0.05
Mr. Andrew Ernest Massawe	Tanzanian	686	686	0.002

(v) Directors' remunerations

Fees and other expenses incurred by the Directors of the Bank during the period are as follows:

	2024	2024	2023	2023
	Directors' fees	Other Expenses	Directors' fees	Other Expenses
Name	TZS 000	TZS 000	TZS 000	TZS 000
Catherine Kimaryo	16,100	10,500	16,100	11,200
Prof. Josephat Lotto	11,500	10,000	11,500	12,000
Rukia Adam	11,500	10,000	11,500	14,000
MacFussy Kawawa	11,500	9,000	11,500	11,186
Harold Jiya	11,500	8,500	11,500	13,686
Masauko Katsala	11,500	10,000	11,500	14,686
Zunzo Mitole	11,500	9,000	11,500	14,686
Etness Chanza	11,500	-	11,500	-
Benedict Mahona	11,500	12,500	11,500	19,000
Andrew Massawe	11,500	14,500	11,500	14,500
	119,600	94,000	119,600	124,944

31. COUNTRY OF INCORPORATION

The Bank is incorporated under the Companies Act, 2002 and is domiciled in Tanzania.

32. ASSETS PLEDGED AS SECURITY

As at 31 December 2024 Treasury bonds and Treasury bills amounting to TZS 23,255 million had been pledged by the Bank to secure deposits with other banks (2023: TZS 2,500 million).

33. FAIR VALUE

The Directors consider that there is no material difference between the fair value and the carrying value of the Bank's financial assets and financial liabilities where fair value details have not been presented. See note 5.5.1.

34. CHANGE OF PRESENTATION

The bank has changed its accounting policy in determination of cash and cash equivalents following regulatory update in respect of minimum amount that needs to be maintained as reserve on rolling basis. This is with reference to circular No. 1 regarding the changes in statutory minimum reserve (SMR) requirements issued by The Bank of Tanzania on 29th May 2019. From the circular, every bank is required to maintain at least 80% percent of the required SMR amount in the clearing account at the Bank of Tanzania on daily basis, but the average for the entire maintenance period must at least be equal to 100% of the required SMR balance. This means the bank has more room to access reserved cash to the maximum of 20% of its statutory minimum reserve on daily basis. The bank corrected its accounting policy to include the 20% of SMR as a part of cash and cash equivalents to reflect the changes provided by the regulator.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

34. CHANGE OF PRESENTATION (CONTINUED)

The bank adopted this approach for the financial statements as at 31 December 2024. The change in accounting policy has impacted the opening balance for cash and Cash equivalent as follows.

i) Impact of changes in accounting policy (Amount of reserve to be held in central bank current account on rolling basis)

	2024	2023
	TZS'000	TZS'000
SMR balance	9,255,091	8,121,023
20% of SMR balance	1,851,018	1,624,205
% of minimum amount to be held on rolling basis (80%)	7,404,073	6,496,818

ii) Impact of the change in accounting policy on the statement of cash flows.

2023	As previously reported	Restatement adjustment	As restated
	TZS'000	TZS'000	TZS'000
Changes in statutory minimum reserve with Bank of Tanzania	(1,006,701)	201,341	(805,360)
Net cash generated from operating activities	18,337,229	201,341	18,538,570
Net increase in cash and cash equivalents	7,516,358	201,341	7,717,699
Cash and Cash equivalents at the beginning of the year	19,266,380	-	19,266,380
Cash and Cash equivalents at the end of the year	26,941,824	-	26,941,824

35. SUBSEQUENT EVENTS DISCLOSURE

The directors are not aware of any subsequent event with material effect to the financial statements.

36. NEW ACCOUNTING PRONOUNCEMENTS

Adoption of new and revised Standards

During the current year, the Bank has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2024. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Bank's accounting policies.

Standard		Annual periods beginning on or after
IAS 1	<i>Classification of liabilities as current or non-current</i> – Amendments which aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	1 January 2024
IFRS 16	<i>Sale and leaseback with variable payments that do not depend on an index or rate</i> - The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it doesn't recognize any amount of the gain or loss that related to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss, any gain or loss relating to the partial or full termination of a lease.	1 January 2024
IAS 7 and IFRS 7	<i>Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements.</i>	1 January 2024

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

38. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

New and revised International Financial Reporting Standards issued not yet effective.

At the date of authorization of these financial statements, the following standards and interpretations relevant to the bank were in issue but not yet effective:

Standard		Annual periods beginning on or after
IFRS S1*	<i>General Requirements for Disclosure of Sustainability-related Financial Information</i>	1 January 2025
IFRS S2*	<i>Climate-related Disclosures</i> The implementation and the effective dates of IFRS Sustainability Disclosure Standards are subject to local regulation. The above changes will be implemented based on their effective dates however, the changes are not expected to have a significant impact on the bank's financial statements.	
IAS 21	<i>Lack of Exchangeability</i> - The amendments specify how to assess whether a currency is exchangeable and if not exchangeable, how the entity should determine the spot exchange rate. Additional disclosure is required to enable users to understand how the lack of exchangeability impacts the financial performance, financial position, and cash flows.	1 January 2025
IFRS 15, IFRS 9, IFRS 1, IFRS10, IAS 7	<i>Amendments resulting from annual improvements for the following standards.</i> Initial measurement of trade receivables - The amendment removes the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured. Under IFRS 15, a trade receivable may be recognised at an amount that differs from the transaction price, for example, when the transaction price is variable. Conversely, IFRS 9 requires that entities initially measure trade receivables without a significant financing component at the transaction price. IFRS 9 has been amended to require entities to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted. Accounting for the derecognition of a lease liability by a lessee – The amendment states that when lease liabilities are derecognised under IFRS 9, the difference between the carrying amount and the consideration paid is recognised in profit or loss. The amendment does not address how to distinguish between derecognition and modification of a lease liability. The amendment applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied. The amendment is effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted. Minor amendments to IFRS 1, IFRS 10 and IAS 7. These amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.	1 January 2026

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

38. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

New and revised International Financial Reporting Standards issued not yet effective. (continued)

Standard		Annual periods beginning on or after
IFRS 9	<i>Settlement of financial liabilities by electronic payments - IFRS 9</i> The amendments clarify when a financial asset or financial liability is recognised and derecognized and provide an exception for certain financial liabilities settled using an electronic payment system. The exception allows entities to derecognize their financial liabilities before the settlement date when it uses an electronic payment system that meets specific criteria. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.	1 January 2026
IFRS 9 & IFRS 7	<i>Classification of financial assets with a contingent feature - IFRS 9 and IFRS 7</i> Following the post-implementation review of the classification and measurement requirements, IFRS 9 includes guidance on the classification of financial assets, including those with contingent features. Additional disclosures in terms of IFRS 7 will also need to be provided on financial assets and financial liabilities that have certain contingent features. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.	1 January 2026
IFRS 7	<i>Equity instruments designated at fair value through other comprehensive income – IFRS 7</i> The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI). The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.	1 January 2026
IFRS 9	<i>Non-recourse assets and contractually linked instruments – IFRS 9</i> The amendments clarify the treatment of non-recourse assets and contractually linked instruments. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.	1 January 2026
IFRS 18	<i>Presentation and disclosure of financial statements – IFRS 18</i> IFRS 18 promotes a more structured income statement, introduces a newly defined “operating profit” subtotal, and a requirement for all income and expenses to be classified into three new distinct categories based on an entity’s business activities. The new standard requires an entity to analyze their operating expenses directly on the face of the income statement – either by nature, by function or on a mixed basis. In addition, the standard defines “management-defined performance measures” (MPMs) and requires that an entity provide disclosures regarding its MPMs in order to enhance transparency. The standard further provides enhanced guidance on aggregation and disaggregation of information, which will apply to both the primary financial statements and the notes. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and applies retrospectively with early adoption permitted. The impact of this standard on the Bank is currently being assessed.	1 January 2026

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

38. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

New and revised International Financial Reporting Standards issued not yet effective. (continued)

Standard		Annual periods beginning on or after
IFRS 19	<i>Subsidiaries without public accountability</i> – IFRS 19 The standard is applicable to subsidiaries that do not have public accountability and that have a parent that produces consolidated accounts under IFRS Accounting Standards. IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted. Eligible subsidiaries can choose to apply the standard for reporting periods beginning on or after 1 January 2027 with earlier application permitted.	1 January 2027

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