



AKIBA COMMERCIAL BANK PLC
benki kwa maendeleo yako

ANNUAL REPORT 2025



Securing the future
of digital excellence



CONTENTS

01 INTRODUCTION

Abbreviations **06**
Letter of Transmittal **07**

02 COMPANY PROFILE

Our History **10**
Our Core Values **11**
Our Products And Services **12 - 13**
Our Milestones **14 - 15**
Shareholders' Profiles **16 - 20**

03 ACHIEVING OUR STRATEGY

Chairperson's Statement **24 - 27**
Managing Director's Statement **27 - 31**

04 CORPORATE GOVERNANCE

Our Board of Directors **34 - 35**
Our Senior Management **36 - 37**

05 FINANCIAL STATEMENTS

Corporate Information **41**
The Report by those charged with Governance **42 - 76**
Statement of Directors Responsibilities **77**
Declaration of the Head of Finance **78**
Independent Auditor's Report **79 - 84**
Statement of profit or loss and other comprehensive income **85**
Statement of Financial Position **86**
Statement of Changes in Equity **87**
Statement of Cash Flows **88**
Notes to the Financial Statements **89 - 156**

Securing the future of digital excellence

Reflects the Bank's commitment to building a resilient, innovative, and future-ready digital ecosystem that delivers secure, seamless, and customer-centric financial solutions. The theme underscores our focus on strengthening digital infrastructure, enhancing cybersecurity, expanding access to inclusive banking services, and driving operational efficiency through technology. It also highlights our dedication to safeguarding customer trust while continuously evolving to meet the changing needs of a digital economy, positioning the Bank as a reliable partner in shaping a smarter and more connected future.



01

INTRODUCTION

Abbreviations 06

Letter of Transmittal 07

ABBREVIATIONS

ACB	Akiba Commercial Bank
AMCOs	Agricultural Marketing Cooperative Society
ATM	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,

As we reflect on the past year, we are proud to share with you the successes and challenges that Akiba Commercial Bank faced in 2025. Our Audited Financial Statements demonstrate our commitment to financial transparency and accountability, showcasing our strong financial performance and stability.

Throughout the year, we navigated through a rapidly changing business environment, adapting to new market trends and regulations. Despite these challenges, we were able to achieve significant milestones and accomplishments, thanks to the dedication and hard work of our employees.

Looking ahead, we are excited about the future prospects for Akiba Commercial Bank. We have identified key opportunities for growth and expansion, as well as strategies to mitigate risks and challenges. 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.


Yours faithfully,
Catherine Kimaryo
Board Chairperson



02

COMPANY PROFILE

- Our History** 10
- Our Core Values** 11
- Our Products And Services** 12 - 13
- Our Milestones** 14 - 15
- Shareholders' Profiles** 16 - 20

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 History

Akiba Commercial Bank Plc was founded in August 1997 by over 300 Tanzanian entrepreneurs who sought to address the financial challenges faced by millions of Tanzanians. Driven by a desire to uplift communities, the founders aimed to establish a bank that would serve underserved populations, especially small business owners and families.

Akiba's mission has always been to foster growth and empower Tanzanians. Over time, the bank has strengthened this mission by embracing a digitally aligned, modern approach, ensuring customers have convenient and reliable access to financial solutions that support both business and personal aspirations.

The Bank's partnership with the National Bank of Malawi (NBM) enhances its strength, enabling the provision of improved products and services powered by technology and innovation.

Join Akiba in shaping a future of accessible, customer-friendly, digitally empowered banking. Whether you are an entrepreneur, a professional, or an individual, Akiba provides the tools and support you need to thrive.



Our Products and Services

Who we Serve

Corporate Banking



We provide a comprehensive suite of wholesale banking solutions, encompassing investment banking, corporate lending, global markets and treasury services, commercial-property finance, deposit-taking, and transactional banking.

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

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.

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

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

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

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.

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



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.



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.



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.



"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."

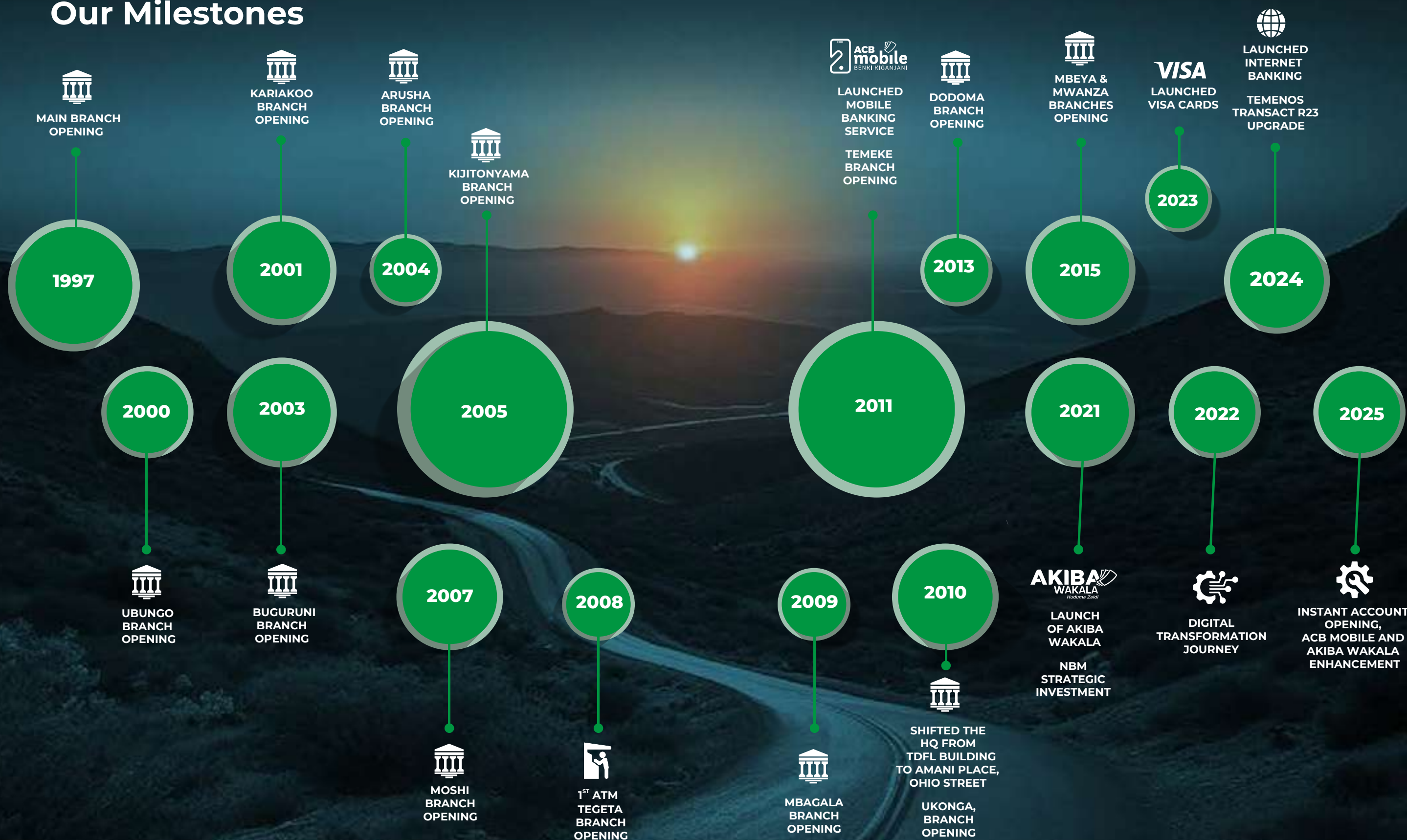


Our Coverage

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 | KIRIAKOO | MBAGALA | MBEYA | TEGETA | BUGURUNI | ARUSHA | KIJITONYAMA | MOSHI | TEMEKE | UKONGA

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 remains one of the most liquid stocks and a key, vibrant player on the stock exchange, experiencing a 248% growth in share price in 2025 alone. NBM plc is the leading bank by assets and profitability in Malawi, delivering a record Profit After Tax of K197,970 million and growing its total asset base to K2,494,799 million as of December 2025. The Bank's mission is to provide outstanding and inclusive financial solutions that deliver sustained stakeholder value.

Shareholding Structure

The Bank's shareholding structure is distributed as follows:

Shareholder	Shareholding Percentage (%)
Press Corporation plc	51.5%
Members of the Public	28.2%
Old Mutual Group	20.3%
Total	100%

Network and Digital Reach

National Bank of Malawi plc maintains a dominant physical and digital footprint across the nation to facilitate a seamless transition towards a digital economy, comprising:

- 46 Service Centres
- 161 Automated Teller Machines (ATMs), providing customers with 24/7 account access
- 1,953 Point of Sale (POS) devices deployed across merchants, hotels, and essential service providers
- 7,215 Fast Serve agents bolstering financial inclusion across communities

The Bank's Money card ATMs accept international network payments via VISA and Mastercard. NBM plc continues to prioritize its digital evolution through localized digital platforms, featuring enhanced mobile banking, mobile wallets, internet banking platforms, and concrete plans to establish a full-fledged digital bank.

Subsidiary Portfolio

In addition to its core operations, NBM plc has diversified its operating ecosystem through strategic investments across six active subsidiaries to offer comprehensive investment, protection, and regional commercial banking options:

Subsidiary Company	NBM plc Ownership (%)
NBM Development Bank Limited	100%
NBM Capital Markets Limited	100%
NBM Pension Administration Limited	100%
Stockbrokers Malawi Limited	75%
United General Insurance Company Limited	55%
Akiba Commercial Bank (Tanzania) Plc	77.33%



ACCION INTERNATIONAL

ACCION International is a global nonprofit organization and a pioneer in microfinance, dedicated to expanding financial inclusion by providing underserved individuals and small businesses with access to affordable financial services. Established in 1961, the organization issued its first microloan in 1973 in Brazil, laying the foundation for what would become one of the world's leading movements in inclusive finance.

Over the years, ACCION International has played a transformative role in developing the global microfinance industry by helping establish 62 microfinance institutions (MFIs) across 31 countries on four continents. Today, these institutions serve millions of clients, empowering low-income individuals and entrepreneurs with access to financial tools that improve livelihoods, create employment and reduce poverty.

In the United States, the ACCION U.S. Network has grown to become the country's largest microfinance lending network. Since launching its pilot program in 1991, it has supported tens of thousands of entrepreneurs by providing more than US\$275 million in loans, helping small businesses start, grow and create economic opportunities in their communities.

Beyond lending, ACCION International is widely recognized as an innovator in financial inclusion. The organization has pioneered many of the industry's best practices and continues to set emerging standards in inclusive finance. It provides a comprehensive range

of services, including strategic advisory, technical assistance, capacity building, governance support, management consulting, and professional training to strengthen the operational and financial sustainability of partner financial institutions.

ACCION International also develops innovative financial products and technology-driven solutions that bridge the gap between commercial financial institutions and underserved populations. Its business solutions are designed to improve operational efficiency, expand outreach, diversify products and delivery channels and enhance the accessibility of financial services for low-income communities.

In addition, ACCION International supports the growth and sustainability of microfinance institutions through strategic investments. By providing equity and quasi-equity financing, loan guarantees, and access to commercial capital markets, the organization enables partner institutions to strengthen their core systems, adopt innovative technologies, mobilize deposits, reduce dependence on donor funding and achieve long-term financial sustainability.

Through more than six decades of leadership, innovation and partnership, ACCION International has remained at the forefront of advancing inclusive finance, empowering millions of people worldwide with the financial tools and opportunities needed to build resilient businesses, improve household incomes and achieve lasting economic prosperity.



Triodos Sustainable Finance Foundation

Triodos Sustainable Finance Foundation is a nonprofit foundation dedicated to advancing sustainable development by providing financing to initiatives that generate positive social, environmental, and economic impact worldwide. Through its mission-driven investment approach, the Foundation supports innovative organizations and projects that contribute to building a more inclusive, resilient and sustainable global economy.

The Foundation was established on 22 January 1994 through a partnership between the DOEN Foundation and Triodos Bank, under the name Triodos-Doen Foundation. The collaboration was created to mobilize capital for pioneering initiatives capable of accelerating sustainable development across the world.

As the Foundation evolved, its commitment to impact investing and sustainable finance expanded. On 10 December 2013, its Articles of Association were amended, and the organization was renamed Triodos

Sustainable Finance Foundation. The new name reflects its continued focus on financing organizations and initiatives that promote long-term sustainable development while addressing global social and environmental challenges.

Today, Triodos Sustainable Finance Foundation remains committed to supporting innovative enterprises and financial institutions that improve access to finance, foster inclusive economic growth, protect the environment and strengthen communities. By providing patient and impact-oriented capital, the Foundation helps organizations scale sustainable solutions, drive meaningful change and contribute to the achievement of global sustainable development goals.



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 its humble beginnings in 1978 as a small Civil and Structural Engineering consultancy operating from a modest office in Dar es Salaam, Inter-Consult Ltd has grown into one of Tanzania's leading indigenous multidisciplinary consulting firms. Today, the company is an ISO 9001:2008-certified consultancy, renowned for delivering innovative, sustainable, and high-quality infrastructure solutions across Tanzania and the East African region.

For more than four decades, Inter-Consult Ltd has partnered with governments, development partners, financial institutions, private corporations, and individual investors to successfully plan, design, and supervise infrastructure projects that contribute to national and regional development. The firm's unwavering commitment to technical excellence, innovation, integrity, and client satisfaction has earned it a strong reputation as a trusted advisor in the built environment.

Having successfully completed more than 400 projects, ranging from small-scale developments to multi-million-dollar infrastructure investments, Inter-Consult Ltd has established itself as one of Tanzania's premier multidisciplinary consulting firm's. As a wholly Tanzanian-owned and managed company, it combines international best practices with extensive local expertise to deliver practical, cost-effective, and sustainable solutions that meet the evolving needs of its clients.

The company provides integrated consultancy services throughout the entire project lifecycle, from feasibility studies, planning, and detailed design to procurement support, construction supervision, commissioning, and project management. Its expertise spans architecture and town planning, quantity surveying, civil and structural engineering, mechanical and electrical engineering, highway engineering, water supply and sanitation engineering, geotechnical and materials engineering, information and communication

technology (ICT), and project management. This multidisciplinary approach enables the firm to deliver comprehensive and coordinated solutions for projects of varying scale and complexity.

Committed to delivering the highest standards of professional service, Inter-Consult Ltd places strong emphasis on quality, timely execution, value for money, and long-term client relationships. Through continuous investment in skilled professionals, modern technologies, and quality management systems, the company consistently maintains high performance standards while adapting to the evolving needs of the construction and infrastructure sectors.

With an annual turnover of approximately TZS 5 billion, Inter-Consult Ltd continues to strengthen its position as one of Tanzania's leading consulting firms while contributing significantly to the country's infrastructure development and economic transformation.

Beyond its core consulting business, the company is committed to promoting sustainable socio-economic development through strategic investments in organizations that support financial inclusion and economic empowerment. Its investment portfolio includes Akiba Commercial Bank Plc and Inter Press Ltd, reflecting its broader vision of supporting entrepreneurship, inclusive growth and poverty alleviation.

Today, Inter-Consult Ltd continues to build lasting partnerships by delivering innovative, reliable, and sustainable consulting solutions that shape infrastructure, transform communities and contribute to Tanzania's long-term development.



Incofin CVSO

Founded in 1992 as a Belgian cooperative, Incofin CVSO has grown into a leading global impact investment manager dedicated to creating lasting value in underserved and emerging markets. Guided by a mission to promote financial inclusion, sustainable development, and inclusive economic growth, Incofin partners with financial institutions and enterprises that expand access to finance and improve livelihoods across developing economies.

From its inception, Incofin distinguished itself by investing directly in entrepreneurs in emerging markets, driven by a strong belief in the transformative power of inclusive finance. This pioneering approach laid the foundation for the organization's long-standing commitment to supporting businesses and communities that are often underserved by traditional financial systems.

In 2001, Incofin expanded its impact by making its first investments in microfinance institutions, recognizing their critical role in empowering low-income individuals and small businesses with access to financial services. As demand for impact investing grew, the organization

significantly expanded its investment activities, and by 2007 had established a strong focus on structured investment vehicles and professional fund management.

Today, Incofin operates as a global investment manager with offices across four regions, managing investments throughout Latin America and the Caribbean, Africa, Eastern Europe and Central Asia and Asia. Building on the legacy of its founding cooperative, the original organization has evolved into the Incofin Microfinance Fund, which continues to pursue the same mission of generating sustainable financial returns while creating meaningful social and economic impact.

Through its disciplined investment approach, sector expertise, and long-term partnerships, Incofin continues to support financial institutions and enterprises that drive entrepreneurship, financial inclusion, employment creation, and resilient economic development in underserved markets worldwide.

SIDI – Société d'Investissement et de Développement International

Established in 1983 by CCFD-Terre Solidaire, SIDI – Société d'Investissement et de Développement International is a French solidarity investment institution dedicated to promoting inclusive economic development in developing countries. Guided by a mission to combat poverty, reduce economic inequalities, and address the challenges of climate change, SIDI provides long-term financial and technical support to organizations that create sustainable social and economic impact.

As a pioneering solidarity investor, SIDI partners with financial institutions, cooperatives, producer organizations, and social enterprises that serve vulnerable and underserved communities. Through innovative and sustainable partnerships, the organization strengthens local economic ecosystems, expands access to finance, and supports entrepreneurship while promoting environmentally responsible practices and resilient livelihoods.

SIDI's mission is to support and finance economic actors in developing countries through responsible

investment solutions that improve the living conditions of vulnerable populations and foster sustainable, inclusive growth. Its investment approach combines patient capital with technical assistance, enabling partner organizations to strengthen their institutional capacity, expand their outreach, and achieve long-term sustainability.

Recognized for its commitment to social impact, SIDI is accredited by the French Government as an Entreprise Solidaire d'Utilité Sociale (ESUS), reflecting its dedication to delivering measurable social and environmental benefits. Since 1997, its shares have also been awarded the Finansol label, recognizing its compliance with the highest standards of solidarity finance and responsible investment.

Today, SIDI continues to play a significant role in advancing inclusive finance and sustainable development by investing in organizations that empower vulnerable populations, foster economic resilience, and contribute to a more equitable and environmentally sustainable future.

FMO

FMO

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.

LSF

Local Shareholders Forum

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.

Transforming everyday transactions through digital innovation, agility, and seamless customer experiences.





03

ACHIEVING OUR STRATEGY

Chairperson's Statement 24 - 27

Managing Director's Statement 28 - 31

CHAIRPERSON'S STATEMENT

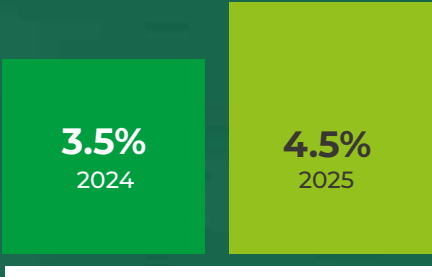


GLOBAL ECONOMIC OVERVIEW

The year 2025 was characterized by fluidity and volatility, with much of the global economic dynamics driven by policy reprioritization in leading global economies and the subsequent adaptation of policies by other economies to evolving global realities. Trade-related developments dominated international headlines, and alongside them, perceptions regarding the prospects for the global economy continued to fluctuate throughout the year. The International Monetary Fund (IMF)'s updated forecast for global growth projected world economic growth at 3.2 percent in 2025.

Similarly, the World Bank's Global Economic Prospects report projected global growth to stabilize at 2.7 percent during 2025–2026, a pace considered too slow to support strong and broad-based development. While moderate inflation created room for monetary easing in many economies, the outlook continued to face downside risks arising from persistent policy uncertainty, geopolitical tensions, trade restrictions, and climate-related disasters. Consequently, developing economies faced the weakest long-term growth prospects recorded since 2000. According to the World Bank outlook, Sub-Saharan Africa's economy was expected to grow by approximately 3.8 percent to 4.5 percent in 2025, continuing a modest recovery

Consequently, developing economies faced the weakest long-term growth prospects recorded since 2000. According to the World Bank outlook, Sub-Saharan Africa's economy was expected to grow by



from 3.5% registered in 2024. This growth was largely driven by easing inflationary pressures, increased public investment, strengthening service sectors, and improved commodity exports.

In 2025, the East African Community (EAC) economy was projected to experience strong growth, with average GDP growth rising to 5.8 percent from 5.4 percent in 2024. The strengthening regional economy was supported by improved international trade, which increased by 21.9 percent during the third quarter of 2025. On its part, the Southern African Development Community (SADC) regional economy was projected to achieve growth of 4.1 percent in 2025, supported by continued focus on industrialization and energy transition initiatives.

According to the IMF, global inflation was expected to continue declining in 2025, although inflation in some leading global economies was projected to remain above targeted levels.

TANZANIA ECONOMIC PERFORMANCE

According to the African Development Bank and the Bank of Tanzania economic outlooks, real GDP growth in Mainland Tanzania was estimated at between 6.0 percent and 6.4 percent in 2025, compared to 5.3



percent recorded in 2024. This economic expansion was supported by continued investment in strategic infrastructure projects, improved domestic economic activity, and a stable investment climate. However, the Bank of Tanzania noted potential risks stemming from global geopolitical tensions and climate-related shocks, particularly those affecting agriculture and international trade.

Zanzibar's economy also demonstrated robust growth during 2025, with GDP estimated to expand between 6.8 percent and 7.1 percent. The strong performance was largely driven by a booming tourism sector, growth

in high-value services and continued infrastructure development. The average inflation in Zanzibar moderated from 3.9 percent in 2024 to 3.7 in 2025, while the construction and service sectors remained major drivers of economic expansion.

FINANCIAL PERFORMANCE

During the year under review, the Bank's bottom line improved from a loss before tax of TZS 5,823 million recorded in 2024 to a loss before tax of TZS 4,853 million. The improvement was attributed primarily to significant reductions in operating expenses.

The Bank's major sources of cash flow remained customer deposits and short-term borrowings from other banks. Customer deposits increased by 4 percent from TZS 160,033 million in 2024 to TZS 167,203 million in 2025. This growth was mainly driven by increases in Biashara, time, and current account deposits. At the same time, Net Loans and Advances increased by 6 percent from TZS 108,781 million in 2024 to TZS 115,326 million in 2025, mainly due to improved liquidity and enhanced staff productivity.

Interest Income during the year amounted to TZS 26,943 million, 10 percent below 2024, due to depressed market yields and a lower loan book and investment portfolio during a significant part of the year. The Bank's reliance on relatively expensive time deposits resulted in a 6 percent increase in Interest Expense to TZS 10,395 million.

CUSTOMER DEPOSITS INCREASED BY

4%

TZS 160,033 million
2024

TZS 167,203 million
2025



Non-interest Income amounted to TZS 5,658 million compared to TZS 6,441 million recorded in the previous year. The 12 percent decline was primarily due to reduced foreign exchange income following increased foreign currency supply in the market, which compressed margins.

The implementation of stringent cost containment measures together with consolidation of four branch operations yielded a 10 percent decrease in operating expenses to TZS 26,565 million compared to TZS 29,673 million in the prior year. These expenses include employee benefits, general and administrative expenses, as well as depreciation and amortization.

The Bank remains committed to focusing on the growth of current and savings deposits as part of its broader strategy to transform the Bank and reduce the overall cost of funds. In addition, the Bank will continue to intensify efforts to mobilize deposits to support the growth of high-quality SME lending, which offers comparatively higher yields.

BOARD OF DIRECTORS

The Bank is governed by a dedicated, experienced and cohesive Board of Directors composed entirely of non-executive members who collectively oversee the institution's long-term success and sustainability. The Board operates with a firm commitment to strong leadership, sound corporate governance, and ethical business practices, recognizing the critical role these principles play in earning stakeholders' trust, sustaining performance and safeguarding shareholders' value.

During the year, the Board bade farewell to Ms. Rukia Adam Juma who retired from the Board on 16 August 2025 after serving since 2019. On behalf of the Board of

Directors, I wish Ms. Rukia Adam Juma all the best in her future endeavors. A careful search for a replacement to fill the vacancy on the Board continues, and an announcement will be made in due course.

I would like to take this opportunity to thank fellow directors for their counsel, support, dedication, and continued commitment to realizing the Bank's vision and mission. I look forward to a fruitful working relationship with them in 2026.

STRATEGY AND PROSPECTS

In 2025, the Bank successfully stabilized its upgraded core banking system, thereby creating a stronger platform for operational efficiency, faster turnaround times and improved customer experience. The Bank continued repositioning itself as a relationship-driven institution with strong capabilities in SME Banking, Corporate Banking and Personal Banking, while leveraging Digital Financial Services (DFS) as a key enabler of transactional growth, customer onboarding, and expansion of non-interest income.

Strategic investments in product innovation, ecosystem development, and enhancement of digital channels have laid a strong foundation for sustainable asset growth, improved cost efficiency, and deeper customer engagement as the Bank moves into 2026.

This strategic direction will be supported by Tanzania's robust and diversified economy, which is expected to grow at more than 6 percent in 2026, driven by continued infrastructure investment, diversified sectoral performance, and improved regional trade integration.

To support execution of its strategy, the Bank launched a "Tunakiwasha Culture Transformation Programme" during the year, marking a significant milestone in its organizational transformation journey. Tunakiwasha, a Swahili expression meaning "We Ignite," symbolizes the Bank's commitment to igniting positive change, inspiring excellence and fostering a culture that empowers employees to move forward together with a shared purpose. The programme reflects the Bank's belief that a strong organizational culture is fundamental to achieving sustainable growth, operational excellence and long-term success.

Anchored on the theme, "Pamoja Tunaweza" ("Together We Can"), the programme reinforces the belief that meaningful and lasting transformation is achieved through unity, collaboration and a shared commitment to excellence. It seeks to embed the Bank's desired values and behaviors into everyday decision-making, strengthen teamwork across all levels of the Bank, enhance employee engagement and cultivate a high-performance culture that consistently delivers exceptional customer experience.

MANAGEMENT AND STAFF

I wish to take the opportunity to express my sincere gratitude to management and staff for their hard work, dedication, loyalty, and commitment throughout the year. I remain confident that the Board can continue to count on them to take the Bank to greater heights.

ACKNOWLEDGEMENT

Finally, on behalf of the Board of Directors, I wish to extend my sincere gratitude to our valued customers, the Bank of Tanzania, the Government, shareholders, and all other stakeholders for your unwavering support and trust, which have been instrumental in the Bank's continued progress.

Catherine N. Kimario
Chairperson
Akiba Commercial Bank Plc

MANAGING DIRECTOR'S STATEMENT



INTRODUCTION

The year 2025 marked another transformative phase for Akiba Commercial Bank Plc, building upon the strong foundation laid in 2024 and reinforcing the Bank's long-term strategic direction.

During the year, we continued implementing our five-year strategic plan for 2021-2025. The central thrust of this strategy was to transform the Bank into the financial institution of choice that provides inclusive and innovative financial solutions in the most efficient and sustainable manner.

At the same time, we successfully developed a new strategic plan for the period 2026-2030 aimed at positioning the Bank as the preferred banking partner for small and medium enterprises (SMEs) and individuals, particularly the youth and women. The new strategy seeks to strengthen our delivery of inclusive and innovative financial solutions while pursuing a strong strategic ambition of achieving a return on equity of at least 20 percent.

We also successfully stabilized the upgrade of our core banking system, thereby creating a stronger technological platform for operational efficiency, faster turnaround times, enhanced risk management and improved customer experience.

During 2025, we further enhanced customer experience through continuous improvement of products and services while accelerating digital transformation using state-of-the-art technology that guarantees accessibility, convenience, reliability, and time-saving solutions. We also strengthened our service delivery standards and complaints handling mechanisms, all geared towards improving customer satisfaction and reinforcing customer confidence in the Bank.

“We also successfully stabilized the upgrade of our core banking system, thereby creating a stronger technological platform for operational efficiency...”



INDUSTRY DEVELOPMENTS

According to the Bank of Tanzania Financial Stability Report 2025, the banking subsector remained sound, stable, and resilient, as reflected by key financial soundness indicators. The assessment revealed that the financial condition of banks remained stable and capable of absorbing potential external shocks. Throughout 2025, the banking subsector maintained adequate capital and liquidity buffers above the regulatory thresholds required to withstand adverse economic conditions.

As the Bank continues to operate in a highly competitive environment in terms of products, technology, and market size, management remains committed to ensuring that the Bank's product offerings remain attractive, innovative, and responsive to the diverse needs of different customer segments.

The regulatory environment within the banking industry remained generally stable during the year under review. The Bank of Tanzania and the Government continued supporting the banking industry through policies and supervisory measures aimed at ensuring compliance, stability, and sustainability of the financial sector.

In 2025, the Bank of Tanzania issued several important guidelines aimed at strengthening the resilience and sustainability of the banking sector. Among the key developments were sustainability disclosure guidelines requiring banks to disclose their position and commitment regarding environmental, social, and governance (ESG) matters. The implementation of these guidelines has proven useful to the Bank as a forward-looking management tool that helps anticipate future outcomes and enables management to adopt proactive strategic responses.

Overall, the Bank of Tanzania pursued a relatively accommodative monetary policy stance during 2025, focusing on balancing the objective of containing inflation while safeguarding economic growth and maintaining financial stability.

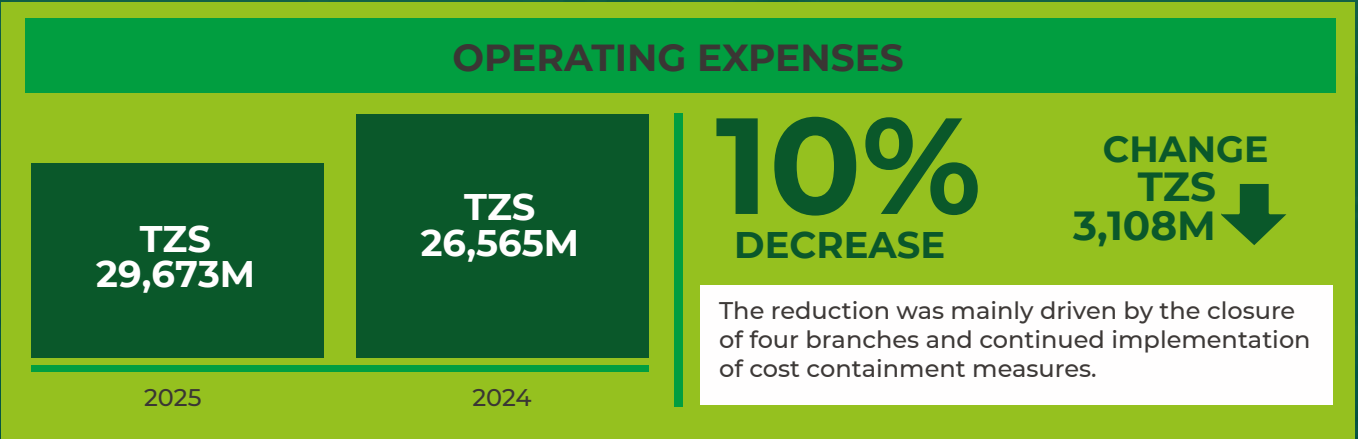
FINANCIAL RESULTS

During the year under review, the Bank recorded a loss before tax of TZS 4,853 million compared with a loss before tax of TZS 5,823 million recorded in 2024. The improvement was largely attributable to significant reductions in operating expenses despite relatively low revenue generation during the year.

Operating expenses amounted to TZS 26,565 million compared to TZS 29,673 million recorded in the prior year, representing a decrease of TZS 3,108 million or 10 percent. The reduction was mainly driven by the closure of four branches and continued implementation of cost containment measures.

Interest income during the year amounted to TZS 26,943 million compared to TZS 29,799 million in the previous year, representing a decrease of TZS 2,856 million or 10 percent. This decline was mainly driven by depressed yields and a lower loan book and investment portfolio during a major part of the year.

Interest expenses during the year amounted to TZS 10,395 million compared to TZS 9,821 million recorded in the prior year, representing an increase of TZS 574 million or 6 percent. The increase was mainly attributed to reliance on relatively expensive time deposits.



The Bank will continue intensifying efforts to mobilize deposits in order to fund the growth of quality

Biashara Loans...



Non-interest income amounted to TZS 5,658 million compared to TZS 6,441 million recorded in the previous year, representing a decline of TZS 783 million or 12 percent. This decline was primarily caused by reduced foreign exchange income following increased foreign currency supply in the market, which resulted in narrower margins.

Customer deposits increased by 4 percent from TZS 160,033 million in 2024 to TZS 167,203 million in 2025. This growth was driven by increases in biashara, time, and current account deposits. The Bank remains committed to focusing on the growth of current and savings deposits as part of its broader transformation agenda aimed at reducing the cost of funds.

Net loans and advances increased by 6 percent from TZS 108,781 million in 2024 to TZS 115,326 million in 2025 due to improved liquidity and enhanced staff productivity. The Bank will continue intensifying efforts to mobilize deposits in order to fund the growth of quality Biashara loans, which generate relatively higher yields.

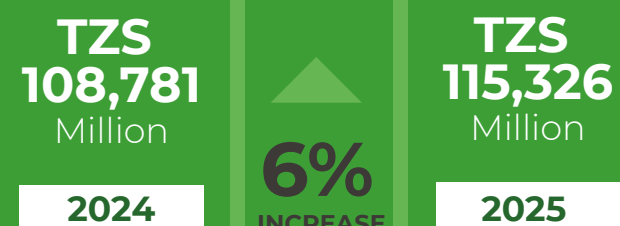
The Bank registered inflows of TZS 14,641 million from operating activities during the year compared to inflows of TZS 25,337 million recorded in 2024. These inflows were supported by customer deposits and borrowings from other banks amounting to TZS 9,184 million compared to TZS 16,262 million in the previous year.

The Bank's cash flow projections indicate that future cash flows will largely continue to be generated from customer deposits. Accordingly, the Bank will continue implementing various strategies aimed at mobilizing deposits by targeting individual depositors, offering competitive rates for fixed deposits, and improving cash collection solutions for large corporate customers, private and public institutions, and other agencies.

As part of the Bank's digital transformation agenda, focus was on stabilization of the Core Banking System (T24) following its go-live November 2024.

The Bank also upgraded mobile banking platform to introduce several new features, including instant interbank transfers, expanded bill payment options, and enhanced security protocols, all of which significantly improved customer experience. Additionally, the official rollout of new VISA debit cards, internet banking services, and agency banking solutions further strengthened the Bank's digital banking ecosystem.

NET LOANS & ADVANCES



FUTURE OUTLOOK

Looking ahead, Akiba Commercial Bank Plc remains well-positioned for sustainable profitability and long-term growth, supported by the strategic priorities implemented during 2025, which are expected to deliver improved results in 2026 and beyond.

SME Banking will remain a strategic priority for the Bank in 2026. Management will intensify efforts to deepen relationships across key SME value chains, enhance tailored financing solutions, and leverage digital channels to improve customer convenience and operational efficiency. This segment continues to represent the Bank's competitive advantage and remains a sustainable engine for long-term growth.

From 2026 onwards, the Corporate Banking strategy will focus on deeper product penetration, enhanced service excellence, and ecosystem-based banking solutions aimed at strengthening customer relationships and expanding market presence.

ACKNOWLEDGEMENT

I extend my sincere appreciation to the Chairperson and the Board of Directors for their strategic guidance and unwavering support, to the senior management team for their leadership, and to all employees for their relentless dedication, professionalism, and commitment to excellence.

To our valued customers, shareholders, investors, regulators, and business partners, your trust and support remain the cornerstone of our continued success. We look forward to 2026 with renewed optimism and a shared vision of creating lasting value while contributing meaningfully to Tanzania's economic prosperity and financial sector development.

Silvest Arumasi
Managing Director
Akiba Commercial Bank Plc



04

CORPORATE GOVERNANCE

Our Board of Directors 34 - 35

Our Senior Management 36 - 37

Our Board of Directors



Catherine Kimaryo
Chairperson



Prof. Josephat Lotto
Director



Duoglas Kamwendo
Director



Macfussy Kawawa
Director



Harold Jiya
Director



Masauko Katsala
Director



Zunzo Mitole
Director



Benedict Mahona
Director



Andrew Massawe
Director

Our Senior Management Team

Silvest Arumasi
Managing Director



Wezi Olivia Mwazani
Chief Commercial Officer



Juliana Swai
Chief Operations Officer



Mabvuto Goodson Jimu
Head of Finance



Charles Kamoto
Head of Credit

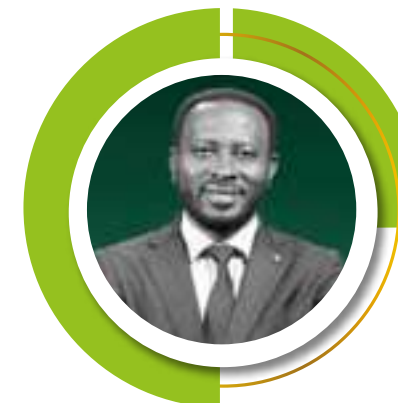


Martina Komba
Chief Risk Officer

Alex Mpunga
Head of ICT



Simon Luoga
Head of Human Resources



David Wasonga
Company Secretary



Lisa Robi
Ag. Chief Internal Auditor



05

FINANCIAL STATEMENTS

Corporate Information 41

**The Report by those charged
with Governance 42 - 76**

Statement of Directors Responsibilities 77

Declaration of the Head of Finance 78

Independent Auditor's Report 79 - 84

**Statement of profit or loss and
other comprehensive income 85**

Statement of Financial Position 86

Statement of Changes in Equity 87

Statement of Cash Flows 88

Notes to the Financial Statements 89 -156



CONTENTS

PAGES

Corporate information	41
The report by those charged with governance	42 – 76
Statement of directors’ responsibilities	77
Declaration of the head of finance	78
Independent auditor’s report	79 – 84
<i>Financial statements:</i>	
Statement of profit or loss and other comprehensive income	85
Statement of financial position	86
Statement of changes in equity	87
Statement of cash flows	88
Notes to the financial statements	89 – 156

THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025

CORPORATE INFORMATION

REGISTERED OFFICE	3 rd Floor, Amani Place, Ohio Street P. O. Box 669 Dar es Salaam, Tanzania
MANAGING DIRECTOR	Silvest Uisso Arumasi 3 rd Floor, Amani Place, Ohio Street P. O. Box 669 Dar es Salaam, Tanzania
COMPANY SECRETARY	David Wasonga 3 rd Floor, Amani Place, Ohio Street P. O. Box 669 Dar es Salaam, Tanzania
INDEPENDENT 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 5 th 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

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

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 2025 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 2025.

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 individual 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 terms of 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 and sustainable. One of the key guidelines is sustainability disclosures which requires Banks to disclose their posture towards the environmental, social and governance issues. 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

5 THE BANK’S OPERATING MODEL (CONTINUED)

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 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

In 2025, the Bank successfully stabilized the upgraded core banking system, creating a stronger platform for operational efficiency, faster turnaround times, and improved customer experience. The Bank continued to reposition itself as a relationship-driven institution with strong capabilities in SME, Corporate and Personal Banking, while leveraging Digital Financial Services (DFS) as a key enabler of transactional growth, customer onboarding, and non-interest income expansion.

Strategic investments in product innovation, ecosystem development, and digital channel enhancement have laid a strong foundation for sustainable asset growth, improved cost efficiency, and deeper customer engagement going into 2026.

Corporate business

During 2025, the Bank strengthened its position within the Corporate Banking segment through targeted client acquisition, strategic partnerships, enhanced service delivery, and product innovation. Key financing solutions including Vehicle Asset Financing (VAF), Invoice Discounting, Local Purchasing Order (LPO), and Unsecured Bid Bond facilities were successfully launched and operationalized. These offerings expanded financing options for corporate clients and reinforced the Bank’s competitiveness within the corporate ecosystem.

The introduction of a dedicated Chinese Desk significantly enhanced engagement with Chinese investors and contractors, resulting in growth of the Bank’s Chinese corporate portfolio and strengthened cross-border business relationships.

From 2026 onwards, the Corporate Banking strategy will focus on deeper product penetration, service excellence, and ecosystem-based banking. By connecting contractors, suppliers, service providers, and project owners within structured value chains, the Bank aims to accelerate deposit mobilization, drive quality asset growth, diversify income streams, and build long-term sustainable client relationships.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

7. BUSINESS HIGHLIGHTS (CONTINUED)

Business banking

Business Banking remains the cornerstone and true strength of the Bank. During 2025, deliberate efforts were undertaken to restore portfolio quality, reinforce credit discipline, and enhancing customer relationships through SME clinics.

Through strengthened risk management practices, closer customer engagement, and selective growth initiatives, the Bank successfully regained market confidence within the SME segment. The focus shifted from aggressive expansion to rebuilding a resilient and high-quality loan book supported by stable transactional deposits.

Looking ahead to 2026, SME banking will remain a strategic priority. The Bank will intensify efforts to deepen relationships within key SME value chains, enhance tailored financing solutions, and leverage digital channels to improve customer convenience. This segment continues to represent the Bank’s competitive advantage and a sustainable engine for long-term growth.

Personal banking

The Bank recognizes Personal Banking as the foundational growth engine and a strategic feeder into SME and Corporate Banking segments. During the year, targeted initiatives were implemented to deepen customer engagement, increase share of the wallet, and strengthen primary banking relationships across all personal segments.

The Bank successfully launched the Instant Account Opening, a key enabler to customer acquisition, in 2025. Going forward, the Bank will priorities he development of differentiated and data-driven customer value propositions for each segment, with a focus on enhancing customer lifetime value, improving retention and building sustainable relationships to facilitate the unlocking of SME and Corporate Banking relationships.

The current focus within Personal Banking is customer onboarding and deposit mobilization to strengthen low-cost funding. Efforts are directed toward growing transactional accounts, enhancing customer experience, and leveraging digital platforms to support sustainable growth while maintaining portfolio quality.

7. BUSINESS HIGHLIGHTS (CONTINUED)

Digital Financial Services (DFS)

Digital Financial Services continued to serve as a key growth enabler for deposits, transactions, and non-interest income. Mobile banking, internet banking, cards, and agency banking platforms support customer convenience and transactional efficiency.

The Bank will accelerate digital adoption by enhancing digital platforms, expanding digital payment capabilities, strengthening strategic partnerships, and embedding digital services across core customer segments. This will facilitate migration of transactions from branches to lower-cost digital channels, improve customer experience, grow transactional deposits, and enhance operational efficiency in 2026 and beyond. □

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 skills, 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

8. RESOURCES AND RESOURCE REQUIREMENTS (CONTINUED)

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 2026 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 for the Bank to be lean to contain costs as well as to enhance coordination between departments, improve internal controls and increase efficiency on services delivered.

Systems

The Bank leverages technology in provision of its products and services and investment in technology is taken very seriously given its importance on the strategic direction of the organization. IT systems include knowledge-based intangibles of an organization. In 2024, the Bank finalized a strategic IT project by upgrading its core banking system in order to improve its service offering and increase processing efficiency. During the current year, the Bank has been fine tuning the system to ensure it is stable to ensure it supports the intended investment objectives.

9. FUTURE DEVELOPMENT PLANS

The Bank of Tanzania pursued a more accommodative monetary policy in 2025, which focused on striking a balance between the objective of containing inflation while safeguarding growth and financial stability. The banking sector, which constitutes the largest segment of the financial sector, remained sound, stable and profitable, with adequate capital and liquidity. Banking services and uptake also improved, thanks to advancing technology that facilitated development of new customer-centric products.

The Tanzania economy recorded 6.3% year-on-year growth in Q2 2025, with Q3 recording 6.4%, and is projected to be 6.0% in Q4 and ranging from 6.1% to 6.3% in 2026 maintaining its position as one of East Africa’s fastest-growing economies. Money supply and private sector credit growth remained high in 2025. Money supply growth averaged 25.8% while private sector credit growth was 23.5%. The high private sector credit growth reflects a sustained demand for new loans, in line with improving global and domestic economic conditions. Inflation remained stable throughout 2025, averaging 3.3%, well below the target of 5%.

The Bank continued with implementation of its five-year strategic plan for 2021 to 2025. The thrust of the strategy was to transform the Bank into the bank of choice, that provides inclusive, innovative financial solutions in the most efficient and sustainable manner. The bank has crafted a new strategic plan for 2026 to 2030 to transform the Bank into the bank of choice to small and medium enterprises and individuals that provides inclusive, innovative financial solutions in the most efficient and sustainable manner with a strong strategic ambition of achieving a return on equity of at least twenty percent.

The Bank intends to continue implementing the following transformative strategic pillars to achieve the objectives of the strategy in the planned time horizon:

i. Innovative & Customer Centric Transformation.

The Bank will invest in digital and omni channels.to transform into a modern digital bank delivering seamless, affordable, and convenient services to customers through innovative & data driven decision making.

ii. Sustainable Growth through inclusive and strategic partnerships

The Bank will scale up growth through serving SMEs, women, youth and climate resilient sectors through strategic ecosystems and partnerships so that it becomes the go-to growth partner in SMEs and inclusive economic transformation.

iii. People, Performance and Culture Transformation

The Bank will leverage on its people by building a capable, motivated, and performance-driven workforce that delivers excellence and drives the Bank’s transformation. This will be achieved through enhanced staff engagement, motivation and retention, strengthening leadership and managerial capability, instituting a culture of accountability, innovation and service excellence and alignment of staff performance with the Bank’s strategic pillar.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

9. FUTURE DEVELOPMENT PLANS (CONTINUED)

iv. Institutional Excellence & Resilience

In order to be a stable, efficient bank with strong governance, resilience and trust, the Bank will strengthen its governance, risk management, and operational efficiency to ensure long term institutional sustainability and competitiveness.

10. THE BANK’S GOAL

The Banks’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 credit, 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 statement of financial position 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 Bank has a 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 2025 has witnessed a fairly 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

14. FINANCIAL REVIEW

Particulars	2025 TZS ‘000	2024 TZS ‘000	Change TZS ‘000	Change %
Total income	32,601,468	36,239,876	(3,638,408)	(10)
Total expenses	(37,454,212)	(42,063,138)	4,608,926	11
Loss before tax	(4,852,744)	(5,823,262)	970,518	17
Income taxes	-	-	-	-
Loss after tax	(4,852,744)	(5,823,262)	970,518	17

14. FINANCIAL REVIEW (CONTINUED)

Figures in Thousands of Tanzanian Shillings

The Bank’s results are set out on pages 47 to 51 of these financial statements. During the year under review, the Bank recorded a loss before tax of TZS 4,852 million compared with a loss before tax of 5,823 million recorded in 2024. This is mainly due to low revenue generation as expenses were significantly reduced.

Interest income

Interest income during the year amounted to TZS 26,943 million compared to TZS 29,799 million in the previous year, representing a decrease of TZS 2,856 million which is 10%. This decrease was driven by depressed yields and lower loan book and investments for a major part of the year.

Interest expense

Interest expense during the year amounted to TZS 10,395 million, as compared to TZS 9,821 million in the prior year, representing an increase of TZS 574 million or 6%. This increase in interest expense is mainly attributed to reliance of time deposits which are expensive.

Net interest income

Net interest income (interest income less interest expense) during the year amounted to TZS 16,548 million, compared to TZS 19,978 million in prior year, representing a decrease of TZS 3,430 million or 17%.

Non-interest income

Non-interest income amounted to TZS 5,658 million compared to TZS 6,441million in the previous year, showing a decline of TZS 783 million or 12%. This was mainly due to a sharp decline in foreign exchange income due to increased supply which resulted in thin margins.

Operating expenses

Operating expenses include employee benefits, general and administration expenses as well as depreciation and amortization. Operating expenses amounted to TZS 26,565 million compared to TZS 29,673 million in prior year, representing a decrease of TZS 3,108 million or 10%. The decrease was mainly due to closure of four branches and cost containment measures.

Review of financial position

Deposits

Customer deposits increased by 4% from TZS 160,033 million in 2024 to TZS 167,203 million. This was due to increases in biashara, time 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 by 6% from TZS108,781 million in 2024 to TZS115,326 million due to improved liquidity and staff productivity. The Bank will increase its efforts to mobilize deposits to fund growth of quality Biashara loans which are higher yielding.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

14. FINANCIAL REVIEW (CONTINUED)

Government securities

Investment in government securities decreased by 7% from TZS 39,295 million in 2024 to TZS 36,647 million. The decrease is mainly attributed to Treasury bill maturities which were not reinvested in Treasury bills.

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 14,641 million (2024: inflows TZS 25,337 million) from operating activities which was funded by TZS 9,184 million (2024: TZS 16,262 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.

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	2025	2024
Return on average assets	Net profit/Total assets	(2.07%)	(2.71%)
A measure of how well the bank uses its assets to generate profits			
Return on average equity	Net profit/Total equity	(16.30%)	(29.60%)
A financial ratio that measures the performance of a bank based on its average shareholders' equity outstanding.			
Non-interest income to total income	Non - interest income/Total income	17.36%	17.77%
Bank's income that has been generated by non-interest related activities as a percentage of total income			
Operating expenses to average assets	Operating expenses/average assets	11.84%	14.11%
A measurement of the cost to operate a piece of property compared to the income brought in by the property.			
Cost to Income Ratio	Operating expenses/ (Net interest income +Non-interest income)	119.63%	112.31%
A measurement of compliance to Bank of Tanzania circular requiring banks to have not more 55% of cost to income ratio.			
Interest margin on earning assets	Net interest income/Earning assets	8.23%	10.84%
A measurement of productivity of the Bank's earning assets.			

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

14. FINANCIAL REVIEW (CONTINUED)

Key Performance Indicators (Continued)

Performance indicator	Definition and calculation method	2025	2024
Growth on total assets	Trend (CY total assets – PY total assets)/PY total assets)*%	8.87%	4.54%
A measurement of the Bank's total assets growth.			
Growth on loans and advances to customers	Trend (CY loans and advances – PY Loans and advances)/PY total loans and advances)*%	6.02%	1.84%
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.			
Growth on customer deposits	Trend (CY customer deposits – PY Customer deposits)/PY customer deposits)*%	4.48%	4.75%
A measurement of Bank's ability to mobilise deposits from customers.			
Capital Adequacy			
Tier 1 Capital	Risk weighted assets including Off balance sheet items/Core capital	17.48%	12.20%
Tier 1+Tier 2 Capital	Risk weighted assets including off-balance sheet items/Total capital	17.48%	12.20%
Key efficiency ratios			
The key efficiency ratios of the Bank as at year end are as indicated hereunder:			
Efficiency indicator	Definition and calculation method	2025	2024
Shareholders' funds to total assets	Shareholders' fund/ total assets	12.72%	9.15%
Indicates how much of the bank's assets have been generated by issuing equity shares rather than by taking on debt.			
Non-performing loans to total advances	Non - performing loans/Gross loans and advances.	7.29%	7.43%
Indicates the percentage of non-performing- loans to total gross loans and advances			
Gross loans to total deposits	Total loans to customers/Total deposits from customers.	68.97%	67.97%
Measures the bank's liquidity by comparing a bank's total loans to its total deposits for the same period.			
Loans to total assets	Loans/Total assets.	49.29%	50.61%
A measure of the bank's assets that are financed by debt rather than equity.			
Liquidity ratio	Liquid Assets/Liquid Liabilities	31.49%	27.87%
Measures the bank's ability to pay its short-term debt obligations.			

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

14. FINANCIAL REVIEW (CONTINUED)

Budget performance information

The Bank has recorded a pre-tax loss of TZS 4,852 million (2024: TZS 5,823 million) against budgeted profit of TZS 3,947 million (2024: TZS 3,066 million). Total income was 69% of the budget with a shortfall of TZS 14,538 million. 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 3,695million or 12%. Interest expense (excluding leasing cost) was above budget by 1% as explained above due to reliance on expensive time deposits. Net impairment charges (net recoveries) are negative TZS 494 million, against a budget of positive TZS 662 million resulting in a negative variance on this line of TZS 1,156 million. Impairment provisions charge is TZS 2,069 million, against budgeted impairment charge of TZS 3,662 million. Recoveries on written off loans are TZS 1,575 million, against budget of TZS 3,000 million.

The Bank’s total assets were 88% of budget with a shortfall of TZS 31, 640 million mainly due to a shortfall in budgeted deposits of TZS 24, 134 million or 13%. Net loans were below budget by 21% or TZS 30,771 million.

15. GOING CONCERN AND SOLVENCY EVALUATION

The bank incurred a net loss of TZS 4,852 million during the year ended 31 December 2025 (2024: net loss of TZS 5,823 million), it has a negative cashflows from operating activities of TZS 14,313 million (2024: TZS 6,466 million) and as of that date, the bank’s assets exceeded its liabilities by TZS 29,764 million (2024: TZS 19,670 million).

As at 31st December 2025 the bank was adequately capitalized with a core capital of TZS 21,035 million against minimum required capital of TZS 15,000 million. Therefore, 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 regarding the capital position of the Bank.

Management has prepared forecasts and a turnaround strategy that is expected to restore sustainable profitability and significantly strengthen the Bank’s balance sheet through optimization of the bank’s cost-to-income ratio, operational efficiency, loan and deposit growth.

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. The bank’s state of affairs is set out on pages 36 and 37 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 2025 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

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

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).

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	Tenor
Catherine Nchanasaa Kimaryo (Alternate: Rose Joseph Lyimo)	- B. Com Finance & Accounting - MBA - Executive Coaching	Chairperson	F	Tanzania	49	23-Mar-21	All year
Josephat Daniel Lotto	- BSc Geology (Hons) - MBA in Finance - MSc in Finance - PhD in Corporate Governance & Financial Strategies - CPA (T)	Member	M	Tanzanian	50	07-Feb-19	All year
Rukia Adam Juma	- DBA - ADCA - CPA (T) - MBA	Member	F	Tanzanian	69	07-Feb-19	Up to 15 August 2025
Macfussy Michael Kawawa	- B.Acc (Hons) - FCCA - CA (Mw) - MBA	Member	M	Malawian	61	03-May-21	All year

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

19. COMPOSITION OF THE BOARD OF DIRECTORS (CONTINUED)

Name	Qualification	Position	Gender	Nationality	Age	Date of Appointment	Tenor
Harold Nester Jiya	- B. Com - ACIB - MBA	Member	M	Malawian	55	03-May-21	All year
Masauko Nelson Katsala	- B. Com - FCCA - CA (Mw) - MBA	Member	M	Malawian	58	03-May-21	All year
Zunzo Esnat Mitole	- LLB (Hons) - MBA	Member	F	Malawian	52	03-May-21	All year
Benedict Kuhenga Mahona	- BSc Economics - MSc Finance & Investment - MSc Economics	Member	M	Tanzanian	45	28-Sep-21	All year
Andrew Ernest Massawe	- BA Marketing - MSc Information Systems & Technology	Member	M	Tanzanian	47	20-Aug-22	All year
Douglas Kanjeza Kamwendo	- B. Acc (Hons), FCCA, CA(Mw), MBA	Member	M	Malawian	52	22-Jan-24	All year

20. DIRECTORS' REMUNERATION

The remuneration and other expenses for services rendered by the non-executive directors of the Bank in 2025 was TZS 229 million (2024: TZS 237 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

21. CORPORATE GOVERNANCE (CONTINUED)

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 a year. The Board Audit Committee members who served in the Committee during the year 2025 were:

Name	Position	Nationality..	Tenor
Prof. Josephat Daniel Lotto	Chairman	Tanzanian	All year
Ms. Rukia Adam Juma	Member	Tanzanian	Up to 15 August 2025
Mr. Masauko Nelson Katsala	Member	Malawian	All year

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 Committee meets a minimum of four times a year. The Board Credit Committee members who served in the Committee during the year 2025 were:

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

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 a year. The Board Risk and Compliance Committee members who served during the year 2025 were:

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

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.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

21. CORPORATE GOVERNANCE (CONTINUED)

Board Governance, Remuneration and Human Resources Committee (Continued)

The Committee meets a minimum of four times a year. The Board Governance, Remuneration and Human Resources Committee members who served during the year 2025 were:

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

22.CAPITAL STRUCTURE AND SHAREHOLDING

As at 31 December 2025, the Bank had 277 shareholders (2024: 277 shareholders).

The Capital structure and shareholding position of the Bank as at 31 December 2025 was as follows:

	2025	Percentage		2024	Percentage	
	Number of Ordinary Shares	(%)	Number of Preference Shares*	Number of Ordinary Shares	(%)	Number of Preference Shares*
National Bank of Malawi Plc	37,474,359	77.33	5,811,399	16,813,000	60.48	11,622,798
Accion International	1,721,456	3.73	-	1,721,456	6.19	-
PSSSF	963,957	1.99	-	963,957	3.47	-
Stichting Hivos – Triodos Fonds	683,335	1.41	-	683,335	2.46	-
INCOFIN CVSO	617,850	1.28	-	617,850	2.22	-
FMO	595,443	1.23	-	595,443	2.14	-
Inter Consult Ltd	568,811	1.17	-	568,811	2.05	-
FEFISOL	434,022	0.90	-	434,022	1.56	-
Sustainable Finance Foundation	430,798	0.89	-	430,798	1.55	-
Erncon Holdings Ltd	1,808,627	3.73	-	1,808,627	6.51	-
Other Shareholders	3,160,117	6.52	-	3,160,117	11.37	-
Total	48,458,775		5,811,399	27,797,416		11,622,798

* Perpetual non-cumulative irredeemable participating preference shares. During the year, fifty percent of preference shares were converted into 5,811,399 ordinary shares of par value of TZS 1,000 each, and the parent company, National bank of Malawi Plc acquired additional 14,849,956 ordinary shares of par value of TZS 1,000 each to ensure the Bank complies with the capital adequacy requirements and improve the Bank’s liquidity to fund capital expenditures.

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	3.73
Ms. Catherine Kimaryo	Tanzanian	15,122	15,122	0.03
Mr. Andrew Ernest Massawe	Tanzanian	686	686	0.001

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

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 ensure that 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.

ICT risk

The risk that IT systems could fail due to either function related faults 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

23. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Strategic risk (Continued)

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 are implemented in line with the agreed timeframe.

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

1. INTRODUCTION AND REPORTING CONTEXT

1.1 *Basis of Preparation*

This Sustainability Report presents the sustainability related information of the Bank for the financial year ended 31st December 2025. The report forms part of the Report by Those Charged with Governance and is prepared for the same reporting period as the Bank's audited financial statements.

1.2 *Connectivity*

This report makes connection with other reports, including financial statements, to present a cohesive view of how relevant climate and sustainability related risks and opportunities may be expected to affect the Bank's cash flows, performance, access to finance, cost of capital and long-term value creation, arising from interactions with stakeholders, the economy, society, and the natural environment across the Bank's value chain over the short, medium and long term.

The Bank adopts a phased and proportionate approach to climate and sustainability reporting, reflecting its current data maturity, while committing to continuous enhancement in line with regulatory expectations and international best practices.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

1. INTRODUCTION AND REPORTING CONTEXT (CONTINUED)

The climate and sustainability related information of the Bank is presented in Tanzanian Shillings (TZS). Amounts are presented in millions.

1.4 *Source of Guidance*

The 2025 Sustainability Report for Akiba Commercial Bank (ACB), approved by the Board, has been prepared in alignment with a comprehensive framework of regulations, standards, and BOT guidelines including:

- Guidelines on Reporting Sustainability Related Risks and Opportunities for Banks and Financial Institutions 2025 and Guidelines on Climate Related Financial Risk Management and Disclosures
- Reference to IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
- SASB industry-specific standard for Commercial banks
- The IFC Performance Standards, which provide benchmarks for managing environmental and social risks.

Climate-related risks and opportunities are considered material to the Bank's operations and financial performance. Consequently, the Bank has applied the requirements of IFRS S2-Climate-related Disclosures in preparing this Sustainability Report.

1.5 *Assumptions, Judgements and Estimates*

The preparation and presentation of the sustainability report involve applying judgement to determine what information is relevant, reliable and useful to disclose. This includes interpreting reporting requirements and making informed decisions in areas where the standards allow flexibility.

The key judgements have been applied in:

- Addressing material topics where the efforts have been guided by a clear understanding of the challenges ahead, as well as the opportunities that lie in embracing sustainability as a core component of our business strategy.
- In selecting appropriate emission factors (GHG Emissions) and scenarios analysis Measurement uncertainty in the sustainability report arises from data gaps, reliance on proxy information, external factors and forward-looking information.

The main sources of measurement uncertainty affecting the amounts disclosed in the sustainability report arises from the GHG emissions quantification because it is unavoidably subject to significant inherent limitations, because of incomplete scientific knowledge and inherent limitations in and methods used for, determining emissions factors and data.

1.6 *Transition Reliefs*

In preparing this report, the Bank has applied the following transition reliefs for the first annual reporting period:

- To only disclose information on climate and sustainability related risks and opportunities
- Not to disclose comparative information on climate and sustainability related risks and opportunities
- In accordance with IFRS S2 transition relief provisions, the Bank has elected not to disclose Scope 3 financed emissions for the 2025 reporting period. Scope 3 disclosures will be considered in future reporting periods as data and methodologies mature.

1.7 *Materiality Determination Process*

The Bank determines material sustainability-related risks and opportunities based on those matters that could reasonably be expected to affect the Bank's cash flows, access to finance, cost of capital, or long-term value creation.

Material topics are identified through:

- Assessment of regulatory requirements issued by the Bank of Tanzania
- Review of internal risk assessments and Enterprise Risk Management processes
- Engagement with internal stakeholders including Credit, Risk, Finance, Operations and ICT and Human Resources
- Consideration of stakeholder expectations and industry developments
- Analysis of potential financial, operational, reputational and compliance impacts Based on this assessment, climate-related risks and opportunities have been determined to be material to the Bank, and accordingly the Bank has applied IFRS S2 Climate-related Disclosure requirements in this report.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

2. GOVERNANCE

The objective of disclosures on governance is to enable users of the sustainability report to understand the governance processes, controls and procedures a company uses to monitor, manage and oversee its sustainability related risks and opportunities.

1.8 Governance Structure

Akiba Commercial Bank Plc (ACB) operates within a robust governance framework designed to ensure clear lines of authority, accountability, and responsibility. This framework empowers the Board to retain overall strategic oversight while delegating day-to-day operational management to the Senior management team, led by the Managing Director.

To effectively discharge its responsibilities, the Board relies on the expertise of four key committee including Board Risk and Compliance Committee, Board Credit Committee, Board Audit Committee and Board Governance, Remuneration and Human Resources Committee.

Detailed descriptions on the responsibilities and composition of the board committees have been highlighted in the corporate governance section under the report of those charged with governance

Board Oversight of Sustainability Matters:

The Board retains ultimate responsibility for overseeing sustainability-related risks and opportunities as part of its broader strategic and risk oversight mandate. In this regard, the Board approves the Bank's strategy, policies and risk management frameworks, and ensures that climate and ESG considerations are appropriately integrated into the Bank's overall business strategy and risk appetite.

The Board also reviews periodic reports from the Board Risk and Compliance Committee on sustainability performance, emerging ESG risks, and progress against sustainability objectives. The Board also considers sustainability implications when evaluating significant strategic initiatives, major transactions, and capital allocation decisions, ensuring that appropriate trade-offs between financial performance and sustainability commitments are carefully assessed.

1.2 Board Committees

Two committees support the Board in fulfilling its responsibility of overseeing climate and sustainability-related matters, each with a distinct role and mandate. The committees help prepare the Board for decision-making on climate and sustainability-related matters. Although the committees play an important role, the Board retains overall responsibility for their activities.

a) Board Risk and Compliance Committee

The Board Risk and Compliance Committee supports the Board in overseeing climate and sustainability-related risks and opportunities as part of the Bank's overall risk governance and strategic oversight. In this regard, the Committee focuses on:

- Overseeing the Bank's approach to sustainability and the integration of climate and sustainability considerations into the Bank's business strategy, risk appetite, and decision-making processes.
- Reviewing sustainability-related risks and opportunities, including environmental, social, and governance (ESG) and climate-related financial risks, and assessing their potential impact on the Bank's financial performance, capital, liquidity, and reputation.
- Monitoring the consequences of the Bank's activities and outputs on the environment and local communities, where such impacts may give rise to financial, compliance, or reputational risks to the Bank.
- Reviewing and evaluating the implementation and performance of the climate and sustainability strategy, including progress against approved objectives, initiatives, and action plans.
- Monitoring external sustainability-related regulatory, supervisory, and market developments relevant to the Bank and assessing their implications for the Bank's risk profile and compliance obligations.
- Overseeing the identification, assessment, and integration of climate and sustainability-related risks into the Enterprise Risk Management (ERM) framework, including alignment with the Bank's risk appetite.
- Reviewing reports on material sustainability-related risks and ensuring that significant issues are escalated to the Board for consideration and decision-making

The climate and sustainability-related matters are discussed during committee meetings held throughout the year

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

2. GOVERNANCE (CONTINUED)

1.2 Board Committees

b) Board Audit Committee

The Audit Committee supports the Board by providing independent oversight over the integrity and reliability of climate and sustainability-related information included in the Bank's financial and regulatory reporting. In this regard, the Committee is responsible for:

- Overseeing the accuracy and completeness of climate and sustainability-related financial disclosures included in the annual report.
- Reviewing the effectiveness of internal controls, systems, and processes supporting the collection and reporting of climate and sustainability-related financial data.
- Assessing the adequacy and objectivity of internal and external assurance arrangements over sustainability-related information, where applicable.
- Reviewing Internal Audit plans and findings related to sustainability-related controls, data quality, and reporting processes, and monitoring management's remediation actions.
-

1.3 Board Skills and Competence

The Board maintains a strong focus on the skills, competencies and experience required to support effective oversight, particularly in relation to the Bank's sustainability strategy.

An annual review is conducted to assess the collective competencies of Board members. The table below summarises the experience, competencies and committee memberships of Board members and those who are independent members.

Board Member	Committee Membership	Experience	Competency
Catherine Kimaryo-Chair	None	>25 years	Finance, Investments & Business Administration
Macfussy Kawawa-Director	Board Governance, Remuneration and HR Committee-(Chair)	>35 years	Finance & Accountancy
Harold Jiya-Director	Board Credit Committee (Chair)	>25 years	Accountancy & Business Administration
Masauko Katsala-Director	- Board Audit Committee - Board Risk & Compliance Committee	>30 years	Accountancy & Business Administration
Zunzo Mitole-Director	Board Governance, Remuneration and HR Committee	>25 years	Legal
Benedict Mahona-Director	- Board Risk & Compliance Committee (Chair) - Board Governance, Remuneration and HR Committee	>20 years	Finance, Investments & Economics
Prof. Josephat Lotto (Independent)-Director	- Board Audit Committee (Chair)	>20 years	Finance
Andrew Massawe-Director	- Board Credit Committee - Board Risk & Compliance Committee	>20 years	Information System and Technology
Dr. Douglas Kamwendo -Director	- Board Credit Committee - Board Risk & Compliance Committee	>20 years	Accountancy & Business Administration

1.4 Targets and Remuneration

Currently, the Bank's remuneration framework is primarily linked to financial and operational performance and does not include explicit ESG-related performance targets.

The Bank recognises the importance of aligning remuneration with the effective management of climate and sustainability-related risks and opportunities. Accordingly, Management and the Board will continue to assess the feasibility of incorporating sustainability-related considerations into the remuneration framework over time, considering the maturity of the Bank's sustainability strategy, data availability and regulatory guidance

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

2. GOVERNANCE (CONTINUED)

1.5 Senior Management

Senior Management is responsible for the implementation of Board-approved sustainability strategies and policies.

Key responsibilities include:

- Integrating sustainability-related risks and opportunities into business operations and credit processes.
- Establishing internal controls and procedures to identify, assess, monitor, and manage sustainability-related risks.
- Coordinating sustainability-related reporting across business units; and
- Reporting to the Board Committees on quarterly basis on sustainability performance and risk exposures.

At management level, the overall responsibility for driving and coordinating the ESG agenda is assigned to the Risk Function, under the leadership of the Chief Risk Officer (CRO). The risk team serves as the central coordinating unit for sustainability-related matters and works closely with relevant business and support functions including Credit, Operations, Finance, Commerce, ICT, and Human Resources.

Supporting functions contribute to the ESG agenda as follows:

- **Credit**-integrates environmental and social risk considerations into credit appraisal and portfolio monitoring.
- **Operations**-implements operational controls to support environmental efficiency initiatives such as energy use, waste management, and resource utilization.
- **Finance**-supports sustainability reporting, ESG disclosures, and monitoring of sustainability-related financial metrics.
- **Commerce**- identifies and promotes sustainable finance opportunities, including green and climate-related financing.
- **ICT**-supports data management systems and solutions that enable ESG monitoring, reporting, and operational efficiency.
- **Human Resources**-drives ESG-related staff training, awareness, and workplace practices including diversity, inclusion, and employee wellbeing.

3. STRATEGY

3.1. Strategic Context

The Bank recognizes that climate and sustainability-related risks and opportunities may influence its business model, competitive position, and financial performance over the short, medium, and long term. These considerations are incorporated into the Bank's strategic planning and decision-making processes.

3.2. Time Horizons

For climate and sustainability-related risk assessment and strategic planning, the Bank applies the following time horizons:

- Short term: up to 1 year
- Medium term: 1 to 3 years
- Long term: beyond 3 years

These horizons are aligned with planning horizons used by a bank for strategic decision-making.

3.3. Climate and Sustainability-Related Risks and Opportunities

The table below summarises the Bank's key climate and sustainability-related risks and opportunities across environmental, social, governance, and operational dimensions, assessed over short, medium, and long-term horizons consistent with the Bank's strategic planning cycle.

It further outlines the areas of the business model and value chain affected, together with the Bank's mitigation measures and strategic responses. These actions demonstrate how sustainability-related risks are integrated into the Bank's strategy, risk management framework, and decision-making processes, while also highlighting opportunities to enhance resilience, operational efficiency, financial inclusion, and long-term value creation.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

3. STRATEGY (CONTINUED)

Climate and Sustainability Related Risks and Opportunities Topic Risk	Mitigation/Response Measures	Response Status	Time Horizon	Affected Area of the Business Model / Value Chain
Climate and Environmental Risk	a) Exposure to climate change impacts such as extreme weather events, or financing environmentally unsound projects, which may affect loan performance, operational costs, and reputation. b) Expansion of green and sustainable financing products c) Financing of climate-resilient and environmentally responsible projects.	Implemented	Short	a) Loan portfolio and credit risk profile. b) Reputation and stakeholder confidence.
Resource and Environmental Efficiency Risk	a) Cost savings through energy and resource efficiency b) Reduced environmental footprint. c) Monitoring carbon footprint and implementing energy and water efficiency initiatives. d) Digitalisation to reduce paper use. e) Promoting responsible waste management across branches and Head Office.	Ongoing	a) Long b) Medium c) Short	c) Operating expenses. d) Branch and Head Office operations.
Social and Community Risk	a) Strengthening financial inclusion initiatives targeting underserved and unbanked populations. b) Maintaining inclusive products and services c) Monitoring customer complaints and ensuring timely resolution.	Ongoing	a) Short b) Medium c) Short	e) Customer base and market reach. f) Product development and distribution g) Reputation
Human Capital Risk	a) Improved productivity and service quality through skills development. b) Stronger organisational culture. c) Promoting diversity, equity, and inclusion in the workplace.	Ongoing	Short	a) Human capital b) Operational efficiency. c) Risk culture.
Regulatory and Compliance Risk	a) Enhanced regulatory standing and stakeholder confidence. b) Non-compliance with ESG-related regulations or banking standards may result in penalties or reputational damage.	Ongoing	Short	d) Compliance framework. e) Governance and risk management systems. f) Reputation.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

25. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

3. STRATEGY (CONTINUED)

Climate and Sustainability Related Risks and Opportunities		Opportunity	Mitigation/Response Measures		Response Status	Time Horizon	Affected Area of the Business Model / Value Chain
Operational and Technology Risk	Risk	Risks arising from digital banking channels, system failures, cybersecurity threats, and process inefficiencies.	a) Growth in digital financial services to enhance operational efficiency and customer reach.	a) Strengthening IT controls and cybersecurity training. b) Automating key manual processes in operations, finance, and credit administration.	Ongoing	Short, Medium	a) Digital banking platforms. b) Operations and service delivery. c) Customer experience.
		b) Stronger operational resilience by embedding robust cybersecurity, business continuity, and disaster recovery capabilities.		c) Business continuity and disaster recovery planning. d) Periodic system stress testing and access control monitoring.			
Climate Related: Physical Risks	Risk	Increased frequency of extreme weather events such as floods, storms may disrupt branch operations, damage infrastructure, and affect borrowers' ability to repay loans.	Financing solutions for affected sectors: enhanced business continuity planning.	Strengthening business continuity plans, diversification of portfolio across regions and sectors, insurance coverage for critical assets, and integration of climate considerations into credit assessment.	Ongoing	Short	Operations, Credit Portfolio, Branch Network, Business Continuity.
Climate Related: Transition Risks	Risk	Introduction of stricter environmental regulations, carbon pricing mechanisms, or shifts toward low-carbon technologies may negatively affect certain customer segments and increase credit risk.	Growth in green financing, renewable energy projects, and sustainable lending products.	Integration of ESG factors into credit analysis, development of green lending framework, staff training on climate risk, and monitoring of high-risk sectors.	Ongoing	Short	Credit, Strategy, Risk Management.

Response Status:

- a) **Implemented** – policy/framework/control is in place and operational
- b) **Ongoing** – activity is active but evolving or being enhanced
- c) **Planned** – approved or under consideration, not yet implemented

v In responding to climate and sustainability-related risks and opportunities, the Bank recognises that certain initiatives may involve near-term implementation and compliance costs, while delivering longer-term benefits through improved portfolio resilience, operational efficiency, regulatory compliance, and sustainable value creation.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

3. STRATEGY (CONTINUED)

3.4. Overview of the Bank and Its Value Chain

Overview of the Bank

Akiba Commercial Bank Plc (ACB) commenced banking operations in August 1997 following an initiative by over 300 Tanzanian entrepreneurs who sought to expand access to financial services and support the growth of small and emerging businesses in Tanzania. The Bank was established with a strong commitment to promoting financial inclusion and supporting entrepreneurs and communities that previously had limited access to formal banking services.

Today, ACB provides a range of financial products and services to individuals, small and medium enterprises (SMEs), and corporate clients through its branch network and digital banking channels.

The Bank's core activities include deposit mobilization, lending and credit facilities, trade finance services, and digital banking solutions. Through these activities, the Bank contributes to financial inclusion, supports the growth of businesses, and facilitates economic development across Tanzania.

Value Chain

The Bank's value chain consists of upstream suppliers and service providers, the Bank's own operational activities, and downstream relationships with customers and communities.

- Upstream Value Chain
 - The Bank works with a range of suppliers and partners who support its operations, including providers of information technology systems, office infrastructure, professional services. Environmental and social considerations are increasingly integrated into supplier selection and procurement processes.
- Own Operations
 - The Bank's internal operations include branch and digital banking services, credit assessment and lending activities, treasury management, and customer service delivery. ESG considerations within operations include responsible lending practices, employee wellbeing, energy use, data protection, and ethical business conduct.
- Downstream Value Chain
 - Through its lending and financial services, the Bank supports customers across various sectors of the economy. The Bank's financing activities influence environmental and social outcomes by directing capital towards responsible and sustainable economic activities while managing risks associated with sectors that may have significant environmental or social impacts.

3.5. Current and Anticipated Effects on Business Model and Value Chain

Climate and Sustainability-related risks and opportunities have both direct and indirect impacts on the Bank's business model and value chain.

- Climate and environmental risks may affect the Bank's loan portfolio through increased credit risk, particularly in sectors vulnerable to extreme weather events and environmental regulation.
- Operational disruptions arising from climate events or resource constraints may impact service delivery, branch operations, and third-party service providers.
- Social and governance risks, including changing customer expectations and regulatory requirements, influence lending practices, and stakeholder relationships.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

3. STRATEGY (CONTINUED)

3.5. Current and Anticipated Effects on Business Model and Value Chain (Continued)

From an opportunity perspective

- The Bank continues to expand green and sustainable financing products, supporting climate-resilient projects and environmentally responsible businesses.
- Digital transformation and sustainable banking initiatives enhance customer reach, operational efficiency, and competitiveness.

Concentration Levels

The Bank monitors sectoral and portfolio concentration to identify exposures to climate-sensitive industries such as agriculture, energy, and transportation. Concentration risk is managed through credit policies, sector limits, and environmental and social (E&S) screening processes.

3.6. Effects on Financial Position, Performance, and Cashflows

Climate and Sustainability-related risks and opportunities are expected to influence the Bank’s financial outcomes over the short, medium, and long term as follows:

Short Term

- Potential increase in credit risk and non-performing loans from climate-sensitive sectors.
- Additional operational costs related to implementation of sustainability frameworks and reporting requirements
- Opportunities for revenue growth from green lending and sustainable finance products.

Medium Term

- Improved asset quality through better screening of environmental and social risks.
- Diversification of the loan portfolio toward climate-resilient and sustainable sectors.
- Efficiency gains from digitalization and responsible resource management.

Long Term

- Enhanced resilience of the Bank’s balance sheet as climate risks are progressively integrated into strategy and decision-making.
- Stronger market positioning and reputation from supporting sustainable economic development.
- More stable cash flows resulting from reduced exposure to environmentally high-risk sectors.

The Bank integrates these considerations into capital planning, credit risk assessment and strategic planning to ensure long-term financial sustainability.

3.7. Resilience of the Bank’s Strategy and Business Model

The Bank recognizes the importance of building resilience to sustainability-related risks, particularly climate and environmental risks. Currently, sustainability considerations have been incorporated into key governance and risk management processes, including the integration of Environmental and Social (E&S) risk screening within the credit appraisal process and the inclusion of climate risk considerations in the Risk Management Framework and Credit Policy.

The Bank’s current strategy supports resilience through portfolio diversification, promotion of digital banking channels, strengthening of cybersecurity controls, and implementation of business continuity and disaster recovery arrangements. These measures enhance the Bank’s ability to withstand operational disruptions and changing environmental and regulatory conditions.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

3. STRATEGY (CONTINUED)

3.7. Resilience of the Bank’s Strategy and Business Model (Continued)

However, the Bank is at an early stage in quantifying the financial impact of climate-related risks. Formal climate scenario analysis and climate-related stress testing have not yet been implemented. Sustainability-related metrics and Key Risk Indicators were recently developed and are in the process of being embedded into the Bank’s risk monitoring framework.

To strengthen resilience going forward, the Bank plans to:

- Develop and implement climate-related stress testing methodologies.
- Formally define and obtain Board approval for climate risk scenarios.
- Enhance data collection and measurement of sustainability-related exposures.
- Regularly review and refine sustainability-related metrics and targets.
- The Bank plans to adopt internationally recognized climate scenarios (such as NGFS scenarios) to assess potential impacts on credit portfolio quality, capital adequacy and liquidity

These initiatives will enable the Bank to progressively assess and enhance the long-term resilience of its strategy and business model to sustainability-related risks.

4. RISK MANAGEMENT PROCESS

The Bank’s Risk Management Framework and Policy provide a structured and disciplined approach to identifying, assessing, monitoring, and managing risks across the organization, including climate and sustainability-related risks and opportunities. The framework supports informed decision-making, effective risk oversight, and transparent reporting, enabling the Bank to pursue its strategic and operational objectives in a responsible and sustainable manner.

Risk governance is underpinned by a clearly defined Risk Appetite Statement approved by the Board of Directors, which sets out the level and types of risk the Bank is willing to accept in the pursuit of its business activities. This ensures alignment between strategy, risk-taking, capital and liquidity management, including consideration of climate and sustainability-related matters.

The following disclosures outline the processes, methodologies and governance arrangements applied.

1.1 Processes and Policies

a) Deployed Parameters and Inputs

The Bank applies the following parameters and inputs in identifying and assessing sustainability-related risks:

- Regulatory requirements and guidelines issued by the Bank of Tanzania.
- Internal policies including the Risk Management Framework and Policy, Credit Policy, Climate related financial risk management framework and policy and operational risk policies.
- Internal risk data such as credit portfolio information, operational incidents, customer complaints and compliance reports.
- External information including industry trends, environmental developments, and stakeholder expectations; and
- Qualitative expert judgment from relevant business units such as Credit, Risk, Operations, ICT and Human Resources.

These inputs inform the Bank’s assessment of climate and sustainability-related exposures across lending, operations and strategic activities.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

4. RISK MANAGEMENT PROCESS (CONTINUED)

1.1 Processes and Policies (Continued)

b) Methods Used to Identify Climate and Sustainability-Related Risks

The Bank identifies climate and sustainability-related risks and opportunities through existing risk management processes. This includes:

- Review of the Bank's business activities, products, and value chain to determine potential environmental, social and governance (ESG) impacts
- Identification of climate and sustainability-related regulatory and supervisory requirements issued by the Bank of Tanzania
- Engagement with internal stakeholders including Credit, Operations, Marketing, Human Resources and ICT to identify emerging ESG risks and opportunities.
- Consideration of customer, community and market expectations relating to sustainability matters and
- Risk and Control Self-Assessment (RCSA) processes conducted across business units

At present, the Bank has not yet implemented formal climate scenario analysis or stress testing. Development of such methodologies is planned for future reporting periods.

c) Assessment of Nature, Likelihood and Magnitude of Effects

Identified climate and sustainability-related risks are assessed using the Bank's existing risk assessment methodologies. This includes:

- Determining the nature of the risk (credit, operational, compliance, reputational or environmental)
- Evaluating the likelihood of occurrence based on historical experience, available information and expert judgment.
- Assessing the potential magnitude of impact on financial performance, operations, customers and reputation and
- Considering both qualitative factors and, where available, quantitative information.

d) Prioritisation of Climate and Sustainability-Related Risks

Climate and Sustainability-related risks and opportunities are prioritised based on:

- Their assessed impact and likelihood using a defined scale based on both qualitative and quantitative factors
- Regulatory and compliance significance
- Strategic importance to the Bank's objectives; and
- Potential effect on stakeholders and the environment

e) Management of Climate and Sustainability-Related Risks

The Bank manages climate and sustainability-related risks and opportunities by integrating them into existing policies, procedures and business processes. Key management actions include:

- Integration of environmental and social risk considerations into the Credit Policy and loan appraisal processes
- Screening of lending activities for environmental and social (E&S) risks
- Promotion of green and sustainable financing initiatives.
- Strengthening of cybersecurity, operational controls and business continuity arrangements.
- Staff training and awareness on ESG, AML/CFT and sustainability-related compliance; and
- Implementation of initiatives aimed at resource efficiency and responsible environmental practices
- These measures ensure that sustainability considerations are embedded in day-to-day decision-making.

f) Monitoring of Climate and Sustainability-Related Risks

The Bank monitors climate and sustainability-related risks through established risk management processes, including:

- Regular risk reporting to Management and Board Committees.
- Monitoring of climate and sustainability-related Key Risk Indicators (KRI's)
- Review of customer complaints, operational incidents and compliance issues.
- Internal audits and periodic reviews
- Ongoing tracking of regulatory developments and emerging sustainability trends.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

4. RISK MANAGEMENT PROCESS (CONTINUED)

1.1 Processes and Policies (Continued)

g) Changes Compared with Previous Reporting Period

This reporting period represents the Bank's initial structured implementation of climate and sustainability-related risk management and disclosures. Key developments during the period include:

- Formal integration of ESG considerations into the Credit Policy.
- Recognition of climate-related risk as a distinct risk category within the ERM framework and Policy
- Introduction of environmental and social risk screening in lending processes.
- Development of sustainability-related metrics and KRI's and
- Establishment of internal reporting mechanisms for ESG risks.

Further enhancements, including climate scenario analysis and more advanced quantitative assessments, are planned for future periods.

1.2 Processes for Climate and Sustainability-Related Opportunities

The Bank identifies and assesses climate and sustainability-related opportunities through:

- Strategic planning processes focused on growth in green and sustainable financing.
- Product development initiatives aimed at supporting climate-resilient and environmentally responsible projects.
- Expansion of digital financial services to improve efficiency and customer reach; and
- Financial inclusion initiatives targeting underserved and unbanked communities.

Opportunities are evaluated based on their strategic alignment, financial viability, social and environmental impact, and associated risks.

1.3 Integration into Overall Risk Management Framework

Processes for identifying, assessing, prioritising and monitoring climate and sustainability-related risks and opportunities are fully embedded within the Bank's existing risk management structures. These include:

- Incorporation of ESG risks into the Enterprise Risk Management Framework and Policy.
- Integration with the Credit Risk Management process and loan approval procedures.
- Oversight by Risk Management Committees and the Board Risk and Compliance Committee; and
- Inclusion of climate and sustainability considerations in strategic decision-making and reporting.

This integrated approach ensures that climate and sustainability-related matters are managed in a manner consistent with other material risks faced by the Bank.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

4. METRICS AND TARGETS

4.1 Disclosures on Metrics

4.1.1 Application of SASB Standards and Other Sustainability Reporting Frameworks

The Bank utilizes a range of quantitative and qualitative metrics to monitor climate and sustainability-related risks and opportunities in accordance with the following frameworks.

- IFRS S2 – Climate-related Disclosures which requires entities to disclose climate-related metrics and greenhouse gas (GHG) emissions.
- Applicable Sustainability Accounting Standards Board (SASB) standards for the Commercial Banking sector which provide industry-specific metrics for commercial banks that are considered financially material and decision-useful to stakeholders.
- Bank of Tanzania (BOT) Sustainability Reporting Guidelines which incorporate and localize many of the SASB Commercial Banks metrics as mandatory disclosures for Tanzanian financial institutions.

The Bank’s Sustainability-related metrics are presented under three distinct categories

- Climate-related metrics required under IFRS S2 (GHG Emissions)
- SASB and BOT-compliant metrics for commercial banks
- Additional internally developed metrics, used for enhanced ESG performance monitoring

The Bank is progressively aligning its climate and sustainability disclosures with applicable SASB standards and continues to enhance the scope and quality of reported metrics over time.

a) IFRS S2 Climate-Related Metrics (GHG Emissions)

In line with IFRS S2 requirements, the Bank reports metrics relating to greenhouse gas emissions arising from its operations.

Scope	Source	Metric
Scope 1-Direct emissions	Fuel consumed by generators	Diesel- 9,919 Litres
	Fuel consumed by Bank-owned vehicles	Petrol- 44,616 Litres
	Scope 1 GHG Emissions	Diesel- 26.78 tCO₂e Petrol- 103.06 tCO₂e
Scope 2-Indirect emissions	Electricity purchased	1,082,938.93 Kwh
	Scope 2 GHG Emissions	356.29 tCO₂e

i. GHG Emissions Methodology and Emission Factors

GHG emissions are calculated in accordance with the Greenhouse Gas Protocol and IPCC Guidelines for National Greenhouse Gas Inventories. Emissions are reported in tonnes of carbon dioxide equivalent (tCO₂e).

The Bank applies an operational control boundary, covering

- **Scope 1:** Direct emissions from fuel consumption in generators and Bank-owned vehicles
- **Scope 2:** Indirect emissions from purchased electricity

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

5. METRICS AND TARGETS (CONTINUED)

1.1 Disclosures on Metrics (Continued)

1.1.1 Application of SASB Standards and Other Sustainability Reporting Frameworks (Continued)

a) IFRS S2 Climate-Related Metrics (GHG Emissions) (Continued)

i. GHG Emissions Methodology and Emission Factors (Continued)

Fuel-related emissions are calculated using IPCC default emission factors, consistent with methodologies applied in Tanzania’s national greenhouse gas inventory. The following emission factors are applied:

- **Diesel:** 2.70 kg CO₂e per litre
- **Petrol:** 2.31 kg CO₂e per litre

Electricity-related emissions (Scope 2) are calculated using the International Energy Agency (IEA) default grid emission factor of 0.329 kg CO₂e per kWh, in line with the GHG Protocol location-based methodology

Key limitations and assumptions include:

- Reliance on manual records for fuel and electricity consumption.
- Absence of officially published Tanzania grid emission factors.

b) SASB and BOT-compliant metrics for commercial banks

The Bank of Tanzania Sustainability Reporting Guidelines require banks to disclose metrics that are aligned to the SASB Commercial Banks Standard (Industry Code: FN-CB). These SASB metrics focus on sustainability issues considered financially material to the banking sector.

Accordingly, the Bank discloses the following SASB-aligned metrics, which are also explicitly required under BOT Guidelines.

i.Data Security Metrics

The Bank monitors and reports on data security risks as part of its operational risk management framework. During the reporting period the Bank did not record any reported or confirmed data security incidents or complaints. While current monitoring provides limited end-to-end visibility, there were no indications of data breaches during the year.

- Number of data breaches: Nil
- Percentage that was personal data breaches: Nil
- Number of account holders affected: Nil

Approach to identifying and addressing data security risks: The Bank manages data security risks through:

- Implementation of cybersecurity policies and controls.
- Continuous monitoring of ICT systems.
- Regular vulnerability assessments and access control reviews.
- Staff awareness training on information security; and
- Incident management and business continuity procedures.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

5. METRICS AND TARGETS (CONTINUED)

1.1 Disclosures on Metrics (Continued)

1.1.1 Application of SASB Standards and Other Sustainability Reporting Frameworks (Continued)

b) SASB and BOT-compliant metrics for commercial banks (Continued)

ii. Financial Inclusion and Capacity Building Metrics

The Bank is committed to promoting financial inclusion and community development. Key indicators include:

- Number and amount of loans outstanding that qualify for programmes designed to promote small business and community development:
 - Number of loans: 1,591
 - Amount outstanding: 37.70 billion
- Past due and non-performing loans under such programmes:
 - Number of NPLs: 228
 - Amount of NPLs under these programmes: 2.22 billion
- No-cost retail accounts for unbanked or underbanked customers:
 - Number of such accounts: 14,862
- Participants in financial literacy initiatives:
 - Number of participants reached during the year: 187

These initiatives demonstrate the Bank's contribution to inclusive and sustainable economic development.

iii. Incorporation of ESG Factors in Credit Analysis

The Bank incorporates Environmental, Social and Governance (ESG) factors into credit analysis through:

- Environmental and social risk screening of loan applications.
- Assessment of borrowers' compliance with environmental and social laws and standards.
- Restriction of lending to environmentally harmful activities unless financing is aimed at remediation and
- Consideration of reputational and sustainability risks during credit appraisal and approval processes.

Key metric applied: Percentage (%) of loans screened for environmental and social risks.

iv. Business Ethics

- Monetary losses from legal proceedings

During the reporting period, no monetary losses were incurred arising from legal proceedings related to fraud, insider trading, antitrust, market manipulation, malpractice, or other financial industry violations.

- Whistle-blower policies and procedures

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

5. METRICS AND TARGETS (CONTINUED)

1.1 Disclosures on Metrics (Continued)

1.1.1 Application of SASB Standards and Other Sustainability Reporting Frameworks (Continued)

b) SASB and BOT-compliant metrics for commercial banks (Continued)

iv. Business Ethics (Continued)

SASB and BOT-compliant metrics for commercial banks (Continued)

The Bank maintains a formal Whistleblowing Policy that enables employees, customers, and other stakeholders to report unethical conduct confidentially. Reports can be made through designated channels (**Toll Free Number:** 0800780026 , **Email:** ACB@tip-offs.com, **Web reporting:** www.tip-offs.com) and are investigated independently. The policy provides protection against retaliation and ensures that concerns are addressed promptly and objectively.

Key governance metric applied: Number of regulatory or legal non-compliance incidents

v. Systemic Risk Management

The Bank integrates risk assessment results into capital adequacy planning and business strategy through:

- Regular Internal Capital Adequacy Assessment Process (ICAAP)
- Stress testing of credit, liquidity, and market risks
- Use of risk appetite limits to guide strategic and operational decisions; and
- Ongoing monitoring of macroeconomic and sector developments.

While formal climate-related stress testing has not yet been implemented, the Bank plans to incorporate sustainability-related scenarios into its stress testing framework in future periods to further enhance resilience and long-term planning.

c) Additional Internal Sustainability Metrics and Material Topic Alignment

In addition to SASB-aligned disclosures, the Bank monitors a set of internally developed sustainability metrics to track performance and support decision-making on priority ESG areas. These metrics are derived from the Bank's assessment of material sustainability topics and reflect strategic priorities across environmental, social, and governance dimensions.

Material Topics: The Bank identifies material sustainability-related topics as those that could reasonably be expected to influence its financial performance, risk profile, and long-term value creation. Refer to section 1.7 on the identification process of material topics.

Key Material topics identified and metrics applied

Material topic	Rationale	Metric Applied
Responsible lending	Tracks progress in financing environmentally sustainable projects and aligns with climate risk mitigation objectives.	% of Green Loans over total loans
Diversity and Inclusion	Supports diversity and inclusion goals and improves workforce sustainability	% Women in Senior Management

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

5. METRICS AND TARGETS (CONTINUED)

1.1 Disclosures on Metrics (Continued)

1.1.1 Application of SASB Standards and Other Sustainability Reporting Frameworks (Continued)

c) Additional Internal Sustainability Metrics and Material Topic Alignment (Continued)

Key Material topics identified and metrics applied (Continued)

Material topic	Rationale	Metric Applied
Social and Community Development	Measures the Bank's contribution to community and social development initiatives.	Number of CSR Activities implemented
Capacity Building	Builds staff capability to integrate sustainability considerations into operations and decision making.	% of Employees Trained on ESG & Compliance
Governance and Board composition	Enhances board diversity, contributing to ethical, inclusive decision making and stakeholder confidence	% of women or underrepresented groups on the board
Customer Satisfaction and Ethics	Tracks customer perception and alignment of products and services with sustainability commitments.	Number of ESG-related customer complaints
Governance and Board composition	Ensures strong governance and independent oversight of decisions.	% of board members who are independent.
Executive ESG Incentives	Demonstrates early consideration of aligning incentives with sustainability performance	% of executive variable compensation linked to ESG
Governance Oversight and Capacity Building	Tracks preparedness of leadership to integrate ESG considerations into strategic oversight	Number of ESG Training for Board

i. Disclosures Relating to Internally Developed Metrics

In line with regulatory requirements, the Bank provides the following information regarding internally developed metrics

a) Source of Metrics

The metrics applied by the Bank are derived from:

- Internal policies and procedures on ESG, risk management, and sustainability; and
- Industry best practices.

b) Definition of Metrics

Metrics used by the Bank include:

- Absolute measures (e.g. total GHG emissions, total energy consumed).
- Relative measures (e.g.% women in management, % of green loans)

c) Third-Party Validation

Currently, sustainability-related metrics reported by the Bank are not validated by an external third party. Data is compiled and verified internally through established risk reporting processes. The Bank plans to consider independent assurance of ESG data as its sustainability reporting framework matures.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

5. METRICS AND TARGETS (CONTINUED)

1.1 Disclosures on Metrics (Continued)

1.1.1 Application of SASB Standards and Other Sustainability Reporting Frameworks (Continued)

c) Additional Internal Sustainability Metrics and Material Topic Alignment (Continued)

i. Disclosures Relating to Internally Developed Metrics (Continued)

d) Methods and Inputs Used to Calculate Metrics

Metrics are calculated using internal operational and financial data sourced from core banking systems and departmental records. The Bank recognizes that current methodologies rely largely on manual data collection and may have limitations related to data availability and consistency. Efforts are underway to improve automation, data quality, and measurement methodologies in future reporting cycles.

1.1.1 Summary of Other Sustainability Metrics – Actual Performance

The table below provides a consolidated summary of sustainability-related metrics reported for 2025 (Base year)

Pillar	Metric	2025 Performance
Environment	Electricity Consumption	1,082,938.93 Kwh.
	Water Consumption	27,108 Units.
	Paper Consumption	1,808 Reams.
	Fuel Consumption	Diesel (Generator)- 9,919 Litres. Petrol (Vehicles)- 44,616 Litres.
	% of loans screened for E&S risks	100%.
	% of green loans to total loans	0.06%.
	Scope 1 and 2 Emissions	Reported under Section 5.1.1
	% Women in senior management	44%.
Social	Number of ESG-related customer complaints	Zero.
		Activities conducted for the year: a) Support to vulnerable groups through donations to orphanages and community welfare initiatives at a cost of TZS 5m. b) Donation of medical supplies and equipment to government hospitals at a cost of TZS 7.2m. c) Environmental conservation initiatives, including tree planting and maintenance of public spaces at a cost of TZS 4.5m.
		85% Key topics: Anti-bribery and corruption awareness, Fraud risk awareness, Whistleblowing awareness, Anti-money laundering, Cybersecurity awareness training and Physical security training.
	% of Employees Trained on ESG & Compliance	Future plans: ESG trainings to be provided to employees in 2026.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

5. METRICS AND TARGETS (CONTINUED)

1.1.1 Summary of Other Sustainability Metrics – Actual Performance (Continued)

Pillar	Metric	2025 Performance
Governance	% of board members who are independent.	11%.
	% of women or underrepresented groups on the board.	22%.
	% of executive variable compensation linked to ESG.	No executive compensation was linked to ESG performance in 2025. The Bank plans to review best practices and, subject to Board approval, gradually incorporate ESG-related performance indicators into executive incentives.
	Number of regulatory or legal non-compliance incidents.	3 Breaches.
	ESG Training for Board/Senior Management.	None has been conducted during the reporting period. Future plans: The Bank will develop and implement a structured ESG training plan for Board members and Senior Management by Q2 2026 to strengthen governance oversight of sustainability-related risks and opportunities.

NB: Detailed Scope 1 and Scope 2 greenhouse gas emissions calculations, methodologies, and assumptions are disclosed in Section 5.1.1 in accordance with IFRS S2 requirements

1.1 Disclosures on Targets

During the reporting period, the Bank initiated the development of its first set of structured sustainability-related targets to support the achievement of its ESG objectives across environmental, social, and governance pillars. These proposed targets have been designed to align with the Bank’s strategic priorities, regulatory expectations, and emerging sustainability reporting requirements.

The target-setting process is currently at an internal development stage and involves consultation with relevant business units and key stakeholders. As at the reporting date, the proposed targets have not yet been formally reviewed and approved through the Bank’s governance structures.

In line with IFRS S1 and IFRS S2 requirements, detailed quantitative target disclosures will be provided once the targets have been formally adopted and endorsed by the appropriate governance bodies. Accordingly, formal monitoring and performance tracking against sustainability targets will commence following their approval, with expected implementation beginning from 2026 onward.

Once approved, the Bank intends to disclose, for each material target:

- the metric used to set the target and monitor progress.
- the specific quantitative or qualitative objective.
- the applicable timeframe.
- the base period for measurement.
- interim milestones where applicable; and
- performance outcomes and any subsequent revisions.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

24. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

5. METRICS AND TARGETS (CONTINUED)

1.2 Disclosures on Targets (Continued)

Progress against approved targets will be periodically reviewed and reported to senior management and relevant Board Committees. Targets may be refined over time as data availability, measurement capabilities, and sustainability practices continue to mature.

1. CONTINUOUS IMPROVEMENT

The Bank is committed to continuously strengthening its sustainability risk management and reporting practices, including enhancement of data systems, metrics, and scenario analysis capabilities, in line with regulatory expectations and evolving best practices.

25. 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 31 to these financial statements.

26. POLITICAL DONATIONS

The Bank did not make any political donations during the year (2024: 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. PREJUDICIAL ISSUES

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

29. 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*.

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

30. THE AUDITOR

The auditor, KPMG has completed two terms of three years and is not eligible for re-appointment. A new auditor will be appointed at the annual general meeting.

BY ORDER OF THE BOARD



Mr. Andrew Ernest Massawe
Director

Date: 02nd April 2026



Prof. Josephat Lotto
Director

Date: 02nd April 2026

STATEMENT OF DIRECTORS RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025, 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 2025 the bank complied with all regulatory capital requirements with a core capital of TZS 20,938 million against minimum required capital of TZS 15,000 million. 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 02 April 2026 and signed by:

BY ORDER OF THE BOARD



Mr. Andrew Ernest Massawe
Director

Date: 02nd April 2026



Prof. Josephat Lotto
Director

Date: 02nd April 2026

DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2025

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 Head of Finance 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, Mabvuto Goodson Jimu, being the Head of Finance of Akiba Commercial Bank Plc, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2025, 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:

Mabvuto Goodson Jimu

Position:

Head of Finance

NBAA Membership no:

TACPA7160

Date:

02 April 2026

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

Report on the audit of the financial statements (Continued)

Opinion
We have audited the financial statements of Akiba Commercial Bank PLC (“the Bank”) set out on pages 89 to 156, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the 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 2025, and 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 the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public interest entities in Tanzania. We have also 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 judgement, 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)

Allowance for expected credit losses on loans and advances	
Refer to the following notes to the financial statements: - 2(d) Use of estimates and judgements, - 3(g)(iii) Material Accounting Policies - Financial Assets & Liabilities, Impairment	
4(a) Measurement of the expected credit loss allowance - 5.1 Credit Risk and - 17 Loans and Advances to customers	
Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2025, the gross loans and advances amounted to TZS 119.6 billion and the allowance for impairment amounted to TZS 4.4 billion. The key areas where we identified significant levels of judgement and therefore increased levels of audit focus are: • Quantitative criteria such as days past due and qualitative criteria such as 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. used in determining criteria for Significant Increase in Credit Risk (SICR) and the definition of default. • 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 Losses (ECL). • Incorporating economic variables such as exchange rates, interest rates, export of goods and services and GDP. The Bank also provides other possible scenarios along with scenario weightings. • Consideration for significant judgements around LGD modelling assumptions for loans including time to realisation of collaterals, realisation cost, collateral haircut as well as collateral values.	Our audit procedures included: • Evaluating the design and implementation as well as the operating effectiveness of controls 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. • Evaluating the appropriateness of the Significant Increase in Credit Risk (SICR) criteria used by the Bank by evaluating quantitative factors such as the past due days considered to indicate a SICR and assessing if the borrower is more than 30 days past due on its contractual payments. And • Evaluating whether early warning signs and concessions have been considered in assessing the SICR by evaluating whether the borrower has 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. • Evaluating whether facilities are correctly staged based on the requirements of IFRS 9 for a sample of loans by reviewing the payment history of the loans and other qualitative factors applied such as early warning signs.

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)

Allowance for expected credit losses on loans and advances	
Refer to the following notes to the financial statements: - 2(d) Use of estimates and judgements, - 3(g)(iii) Material Accounting Policies - Financial Assets & Liabilities, Impairment	
4(a) Measurement of the expected credit loss allowance - 5.1 Credit Risk and - 17 Loans and Advances to customers	
Key Audit Matter	How the matter was addressed in our audit
• Adequacy of credit risk disclosures in accordance with the requirements of IFRS 7, <i>Financial instruments: Disclosures</i> including the completeness and accuracy of data used in the disclosures. • Measurement of the allowance for expected credit loss on loans and advances has been determined to be a key audit matter as the determination is highly subjective, involves significant level of judgement applied by management and the ECL is a material significant estimate.	• Evaluating Directors' method of determining groups of similar financial assets by assessing whether the contractual cash flows meet the Solely Payments of Principal and Interest (SPPI) criteria for purposes of measuring ECL to confirm that assets are properly stratified. • Evaluating the appropriateness of historical information used in establishing PD and Significant Increase in Credit Risk (SICR) by performing reviews of credit files on a sample basis to assess whether the historical performance of loans was accurately considered in the information. • Evaluating the reliability and reasonableness of information used by the Bank in establishing LGD by agreeing a sample of the inputs to underlying supporting documents such as collateral valuation reports for collateral values used. • Evaluating the Bank's model for establishing ECL for loans in default by challenging reasonability of assumptions such as time to realisation of collateral values by comparing the time historically taken by the Bank to realise collaterals and the time currently applied in the Bank's model and also comparing the interest rate applied to discount the collateral values in the model to the actual effective interest rate of the loan. • Performing a retrospective review by comparing the previous year's ECL estimate to actual outcome in the current year.

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)

Allowance for expected credit losses on loans and advances	
Refer to the following notes to the financial statements: - 2(d) Use of estimates and judgements, - 3(g)(iii) Material Accounting Policies - Financial Assets & Liabilities, Impairment	
4(a) Measurement of the expected credit loss allowance - 5.1 Credit Risk and - 17 Loans and Advances to customers	
Key Audit Matter	How the matter was addressed in our audit
• Adequacy of credit risk disclosures in accordance with the requirements of IFRS 7, <i>Financial instruments: Disclosures</i> including the completeness and accuracy of data used in the disclosures. • Measurement of the allowance for expected credit loss on loans and advances has been determined to be a key audit matter as the determination is highly subjective, involves significant level of judgement applied by management and the ECL is a material significant estimate.	• Engaging our own internal Financial Risk Management specialists to perform a review of the model by independently recalculating credit-risk parameters including the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). • Evaluating portfolio segmentation, staging logic, transition matrices, LGD haircuts, CCF calculations, discounting, macroeconomic variable selection, regression methodology, scenario weighting, forward-looking adjustments, and overall model governance to confirm whether each component was methodologically sound, statistically appropriate, IFRS 9 compliant, and supported by adequate documentation. • Evaluating the adequacy of financial statements disclosures in accordance with the requirements of IFRS 7, <i>Financial Instruments: Disclosures</i>, including disclosures of key assumptions and judgements relating to ECL.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Akiba Commercial Bank Plc Report and Financial Statements for the year ended 31 December 2025”, 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.

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF AKIBA COMMERCIAL BANK PLC (CONTINUED)

Report on the audit of the financial statements (Continued)

Other information (Continued)

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.

Directors responsibilities 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 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 judgement and maintain professional scepticism 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.
- 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.

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)

- 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 the 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.

KPMG
Certified Public Accountants (T)



Signed by: CPA Vincent Onjala (ACPA 2722)
Dar es Salaam

Date: 02 April 2026

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	NOTES	2025 TZS '000	2024 TZS '000
Interest income calculated using effective interest method	6(a)	26,738,164	29,702,230
Other interest income calculated using effective interest method	6(b)	205,189	96,356
Interest expense	7	(10,395,097)	(9,820,518)
Net interest income		16,548,256	19,978,068
Credit impairment losses	17	(493,885)	(2,570,107)
Net interest income after impairment losses		16,054,371	17,407,961
Fees and commission income	8	4,682,633	4,655,616
Foreign exchange income	9	901,578	1,680,733
Other operating income	10	73,904	104,941
Employee benefits expenses	11	(11,668,257)	(14,482,652)
General and Administrative expenses	12	(10,914,522)	(12,365,045)
Depreciation and amortization	13	(3,982,451)	(2,824,816)
Loss before tax		(4,852,744)	(5,823,262)
Tax expense	14(a)	-	-
Loss for the year		(4,852,744)	(5,823,262)
Other comprehensive income for the year			
Items that are or may be reclassified subsequently to profit or loss			
Government securities at FVOCI - Net change in fair value		96,766	-
Total comprehensive loss for the year		(4,755,978)	(5,823,262)

The notes set out on pages 89 to 156 form an integral part of these financial statements.

Auditor's report is on pages 79 to 84.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	NOTES	Dec 2025 TZS '000	Dec 2024 TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	15	41,761,787	31,923,407
Balances with other banks	16	7,314,572	4,272,373
Share capital receivable	31 (d)	4,968,200	-
Government securities at amortized cost	18 (a)	35,549,928	39,294,781
Government securities at FVOCI	18 (b)	1,096,766	-
Loans and advances to customers	17	115,326,232	108,781,432
Other assets	23	3,989,878	5,464,126
Current income tax asset	14 (c)	151,375	151,375
Unquoted equity investment	19	39,000	39,000
Property and equipment	20	12,590,759	13,786,545
Intangible assets	21	4,811,168	4,827,531
Deferred tax asset	22	6,391,125	6,391,125
TOTAL ASSETS		233,990,790	214,931,695
LIABILITIES			
Deposits from other banks	24	19,420,318	17,406,565
Deposits from customers	25	167,203,414	160,033,021
Lease liability	26	11,839,799	12,685,905
Other liabilities	27	5,763,288	5,136,215
TOTAL LIABILITIES		204,226,819	195,261,706
SHAREHOLDERS EQUITY			
Share capital	29(a)	48,458,775	27,797,416
Preference shares	29(b)	5,811,399	11,622,798
Share premium	29(c)	2,431,917	2,431,917
Accumulated losses		(28,003,301)	(23,621,093)
Fair value reserve	29(d)	96,766	-
Regulatory reserve	29(e)	968,415	1,438,951
TOTAL EQUITY		29,763,971	19,669,989
TOTAL LIABILITIES AND EQUITY		233,990,790	214,931,695

The financial statements on pages 85 to 156 were approved and authorized for issue by the Board of Directors on 02 April 2026 and signed by:

Mr. Andrew Ernest Massawe
Director

The notes set out on pages 89 to 156 form an integral part of these financial statements.

Auditor's report is on pages 79 to 84.

Prof. Josephat
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Share Capital TZS '000	Preference Shares	Share Premium TZS '000	Accumulated Losses TZS '000	Fair value reserve TZS '000	Regulatory Reserve* TZS '000	Total TZS '000
At 1 January 2025	27,797,416	11,622,798	2,431,917	(23,621,093)	-	1,438,951	19,669,989
Loss for the year				(4,852,744)	-	-	(4,852,744)
Other comprehensive income							
Change in fair value of government securities at FVOCI							
Total comprehensive income				(4,852,744)	96,766	-	(4,755,978)
Preference Shares conversion**	5,811,399	(5,811,399)	-	-	-	-	-
Total transaction with owners***	14,849,960						14,849,960
Transfer from regulatory reserve to retained earnings	-		-	470,536	-	(470,536)	-
At 31 December 2025	48,458,775	5,811,399	2,431,917	(28,003,301)	96,766	968,415	29,763,971
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)
Total transaction with owners							
Transfer from retained earnings to regulatory reserve	-		-	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

*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.

** During the year, fifty percent of preference shares were converted into 5,811,399 ordinary shares of par value of TZS 1,000 each

***Majority shareholder, National Bank of Malawi Plc injected TZS14,850 million into the business to comply with capital regulations and fund business operation

The notes set out on pages 89 to 156 form an integral part of these financial statements.

Auditor's report is on pages 79 to 84.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Notes	2025 TZS 000	2024 TZS 000
Cash flows from operating activities			
Loss for the period		(4,852,744)	(5,823,262)
Adjustments for:			
Depreciation and amortization	13	3,982,451	2,824,816
Impairment balance	15,16,17,18 and 18	(2,069,121)	(4,231,603)
Loss/(Gain) on disposal of property and equipment	10	4,694	(37,692)
Interest expense lease liability	26	1,239,257	1,370,934
Interest expense on deposits	7	9,155,840	8,449,584
Interest income	6(a) & (b)	(26,943,353)	(29,798,586)
Right of use asset remeasurement		-	(394,325)
Unrealized Exchange gain on cash and cash equivalent		(137,563)	(125,770)
Exchange gain due to lease remeasurement	26	(48,199)	(358,931)
		(19,668,738)	(28,124,835)
Changes in:			
Statutory Minimum Reserve		(597,732)	(907,255)
Loans and advances to customers		(5,332,527)	3,170,792
Other assets	23	1,474,248	2,857,513
Deposit from customers	25	7,170,393	7,262,704
Deposits from other banks	24	2,013,753	8,999,877
Other liabilities	27	627,073	274,619
Cash flows used in operations		(14,313,530)	(6,466,585)
Interest received		26,117,617	29,647,530
Interest paid on lease liability	26	(1,239,257)	(1,370,934)
Interest paid on deposits		(9,155,840)	(8,449,584)
Net cash flows generated / from operations		1,408,990	13,360,427
Cash flows from investing activities			
Purchase of government securities	18	(9,904,489)	(14,550,000)
Purchase of property and equipment	20	(1,563,792)	(1,261,379)
Purchase of intangible assets	21	(1,223,539)	(4,539,885)
Proceeds from matured Government securities	18	12,707,703	12,334,067
Proceeds from sale of property and equipment		12,334	37,692
Net cash used in investing activities		28,217	(7,979,505)
Cash flows from financing activities			
Proceeds from issue of Ordinary shares		9,881,760	-
Lease payments	26	(797,907)	(1,018,748)
Net cash generated/ (used in) financing activities		9,083,853	(1,018,748)
Net increase in cash and cash equivalents		10,521,060	4,362,174
Cash and cash equivalent at the beginning of the year	28	33,053,974	28,566,030
Effect of exchange rate fluctuations on cash and cash equivalent		137,563	125,770
Cash and cash equivalent at the end of the year	28	43,712,597	33,053,974

The notes set out on pages 89 to 156 form an integral part of these financial statements.

Auditor's report is on pages 79 to 84.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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 Bank is involved in the provision of banking and related services stipulated by the Banking and Financial Institutions Act, 2006. 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 2025 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 2025. For details of the new and revised accounting standards and/or policies refer to note 36.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (continued)

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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, 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.

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 are presented separately 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Income tax expense (continued)

ii) Deferred tax (continued)

— 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

ii) Classification (Continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

ii) Classification (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

ii) Classification (continued)

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).

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'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

iii) Impairment (continued)

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

ECLs 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

iii) Impairment (continued)

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.

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:

- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

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.

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.

iv) De-recognition

Financial assets (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

Financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Fair value measurement (continued)

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 include 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.

(j) Property and equipment

Property and equipment are initially recorded at historical cost and subsequently stated at historical cost 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
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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.

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's 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

a) Measurement of the expected credit loss allowance (Continued)

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 it 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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				
Description of the grade		Ageing	Equivalent IFRS 9 classifications	% Used for Regulatory provisioning
1.	Current	0 - 30 days	Stage 1	NIL
2.	Especially mentioned	31 - 90 days	Stage 2	3%
3.	Sub-standard	91 - 180 days	Stage 3	20%
4.	Doubtful	181 – 360 days	Stage 3	50%
5.	Loss	360 days and above	Stage 3	100%

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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

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 experience 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 advance 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.

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

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

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.2: Expected credit loss measurement (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. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. LGD varies by type of counterparty, type and seniority of claim, recovery costs of any collateral that is integral to the financial asset 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. LGD estimates for lending collateralized by property reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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. The economic variables identified are such as exchange rates, interest rates, Export of goods and services and GDP. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

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).

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 2025 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2025	2026	2027	2028
Lending interest rate (%)				
Base	12.52%	12.74%	12.77%	12.78%
Upside	14.61%	14.83%	14.86%	14.87%
Downside	10.43%	10.65%	10.68%	10.69%

Non-performing Loans				
Base	12.52%	12.74%	12.77%	12.78%
Upside	14.61%	14.83%	14.86%	14.87%
Downside	10.43%	10.65%	10.68%	10.69%

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%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025 Sensitivity Analysis	Expected loss allowance	
	Upward change TZS '000	Downward change TZS 000
Secured term loans	2,005,275	1,640,680
Unsecured term loans	2,849,703	2,331,575
Total expected loss allowance	4,854,978	3,972,255

31 December 2024 Sensitivity Analysis	Expected loss allowance	
	Upward change TZS '000	Downward change 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

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

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		
	31-Dec-25	31-Dec-24	Principal type of collateral held
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: -

	2025		2024	
	Carrying amount	Fair value of collateral held	Carrying amount	Fair value of collateral held
	TZS '000	TZS '000	TZS '000	TZS '000
Stage 1&2	109,990,001	235,080,215	103,049,854	149,396,739
Stage 3	5,336,231	14,597,869	5,731,578	24,983,238

(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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

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

Credit grade	2025			
	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Current	44,659,566	-	-	44,659,566
Especially Mentioned	-	1,840,574	-	1,840,574
Doubtful	-	-	767,433	767,433
Sub Standard	-	-	1,135,864	1,135,864
Loss	-	-	1,010,313	1,010,313
Gross carrying amount	44,659,566	1,840,574	2,913,610	49,413,750
Loss allowance	(800,360)	(263,848)	(1,526,431)	(2,590,639)
Carrying amount	43,859,206	1,576,726	1,387,179	46,823,111

Credit grade	2024			
	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total 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

(b) Secured Term Loans- Gross loans

Credit grade	2025			
	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Current	60,653,142	-	-	60,653,142
Especially Mentioned	-	4,549,155	-	4,549,155
Doubtful	-	-	611,700	611,700
Sub Standard	-	-	1,040,693	1,040,693
Loss	-	-	1,816,422	1,816,422
Gross carrying amount	60,653,142	4,549,155	3,468,815	68,671,112
Loss allowance	(624,362)	(435,903)	(762,713)	(1,822,978)
Carrying amount	60,028,780	4,113,252	2,706,102	66,848,134

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

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 (continued)

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

(c) Overdraft- Gross loans

Credit grade	2025			Total TZS'000
	Stage 1 12 - Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	TZS'000	TZS'000	TZS'000	
Current	1,604,162	-	-	1,604,162
Especially Mentioned	-	-	-	-
Doubtful	-	-	120,954	120,954
Sub Standard	-	-	-	-
Loss	-	-	-	-
Gross Carrying amount	1,604,162	-	120,954	1,725,116
Loss allowance	(12,023)	-	(58,106)	(70,129)
Carrying amount	1,592,139	-	62,848	1,654,987

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	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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Loss allowance

The loss allowance recognized 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Loss allowance (continued)

1.1.1.1 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 2025	941,808	185,547	673,425	1,800,780
Transfers:				
Transfer from stage 1 to stage 2	(6,774)	6,774	-	-
Transfer from stage 1 to stage 3	(1,100)	-	1,100	-
Transfer from stage 2 to stage 1	248,991	(248,991)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	875,648	-	(875,648)	-
Transfer from stage 3 to stage 2	-	160,863	(160,863)	-
Financial assets derecognised during the period other than write offs	(724,027)	-	-	(724,027)
New financial assets originated	438,323	285,386	790,179	1,513,886
Total net P&L release during the period	831,061	204,032	(245,232)	789,859
Other movements with no P&L impact				
Write-offs	-	-	-	-
Loss allowance as at 31 December 2025	1,772,867	389,579	428,193	2,590,639

	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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

1.1.5 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 2025	(30,700)	129,031	1,771,663	1,869,994
Transfers:				
Transfer from stage 1 to stage 2	(163)	163	-	-
Transfer from stage 1 to stage 3	(6,519)	-	6,519	-
Transfer from stage 2 to stage 1	343,093	(343,093)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	192,505	-	(192,505)	-
Transfer from stage 3 to stage 2	-	115,265	(115,265)	-
Financial assets derecognised during the period other than write offs	(375,563)	-	(716,652)	(1,092,215)
New financial assets originated	501,709	534,537	8,953	1,045,199
Total net P&L release during the period	655,062	306,872	(1,008,950)	(47,016)
Other movements with no P&L impact				
Write-offs	-	-	-	-
Loss allowance as at 31 December 2025	624,362	435,903	762,713	1,822,978

	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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.1 Credit risk (continued)

1.1.5 Loss allowance (continued)

1.1.5.1 Changes on 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 2025	3,855	-	133,690	137,545
Transfers				
New financial assets originated	8,168	-	-	8,168
	-	-	(75,584)	(75,584)
Total net P&L charge during the period	8,168	-	(75,584)	(67,416)
Other movements with no P&L impact				
Write-offs	-	-	-	-
Loss allowance as at 31 December 2025	12,023	-	58,106	70,129

	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
Transfers:	2,466			2,466
New financial assets originated	(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

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.1 Credit risk (continued)

1.1.5 Loss allowance (continued)

5.1.5.2 Changes on the gross carrying amount (continued)

(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 2025	38,919,222	372,714	5,220,072	44,512,008
Transfers:				
Transfer from stage 1 to stage 2	(305,021)	305,021		-
Transfer from stage 1 to stage 3	(90,755)		90,755	-
Transfer from stage 2 to stage 1	1,735,401	(1,735,401)		-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	1,535,706		(1,535,706)	-
Transfer from stage 3 to stage 2	-	536,163	(536,163)	-
Financial assets derecognised during the period other than write offs	(6,977,421)	-	(4,907,740)	(11,885,161)
New financial assets originated	9,842,434	2,362,077	4,721,241	16,925,752
Write-offs	-	-	(138,849)	(138,849)
Gross carrying amount as at 31 December 2025	44,659,566	1,840,574	2,913,610	49,413,750

	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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.0.5 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 2025	58,115,407	730,976	8,691,006	67,537,389
Transfers:				
Transfer from stage 1 to stage 2	(465,884)	465,884	-	-
Transfer from stage 1 to stage 3	(705,017)	-	705,017	-
Transfer from stage 2 to stage 1	3,422,835	(3,422,835)	-	-
Transfer from stage 2 to stage 3	-	(3,460)	3,460	-
Transfer from stage 3 to stage 1	1,279,661	-	(1,279,661)	-
Transfer from stage 3 to stage 2	-	468,743	(468,743)	-
Financial assets derecognised during the period other than write offs	(46,638,755)	-	(2,489,350)	(49,128,105)
New financial assets originated or purchased	45,644,895	6,391,358	59,187	52,013,929
Write-offs	-	-	(1,752,101)	(1,752,101)
Gross carrying amount as at 31 December 2025	60,653,142	4,549,155	3,468,815	68,671,112

	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	1,092,903	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	730,976	8,691,006	67,537,389

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

1.1.5 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 2025	406,664	-	133,690	540,354
Transfers:				
New financial assets originated	1,197,498	-	-	1,197,498
Write-offs	-	-	(12,736)	(12,736)
Gross carrying amount as at 31 December 2025	1,604,162	-	120,954	1,725,116

	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

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. (2024: 1,184).

2025	Exposure as at 31 Dec 2025	ECL as at 31 Dec 2025	% of ECL as at 31 Dec 2025
Placements with other banks	7,322,935	8,363	0.20

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 (2024: 70,224).

2025	Exposure as of 31 Dec 2025	ECL as of 31 Dec 2025	% of ECL as at 31 Dec 2025
Treasury Bonds	27,248,199	50,503	1.19
Treasury Bills	9,456,856	7,858	0.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025 has been displayed in the table below (2024:6,520).

2025	Exposure as at 31 Dec 2025	ECL as at 31 Dec 2025	% of ECL as at 31 Dec 2025
BOT & bank balances	32,000,152	8,554	0.20

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

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.

Credit risk exposures relating to on-balance sheet assets are as follows	Tanzania TZS '000	Europe TZS '000	America TZS '000	Others TZS '000	Total TZS '000
31-Dec-25					
Balances with the Bank of Tanzania	31,991,598	-	-	-	31,991,598
Placement and balances with other banks	3,228,451	204,902	3,836,667	52,915	7,322,935
Investment in Government securities					-
- Amortised cost	36,646,694	-	-	-	36,646,694
Loans and advances to customers:	115,325,314	918	-	-	115,326,232
Other financial assets (Excluding Prepayments)	7,588,865	-	-	-	7,588,865
As at 31 December 2025	194,780,922	205,820	3,836,667	52,915	198,876,324
Credit risk exposures relating to off-balance sheet assets are as follows:					
Letters of credit and guarantee	3,775,968				3,775,968
Undrawn commitments	504,674				504,674
Total exposure as at 31 December 2025	4,280,642				4,280,642

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

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 TZS '000	Europe TZS '000	America TZS '000	Others TZS '000	Total TZS '000
31 December 2024					
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
Other financial assets (Excluding Prepayments)	4,083,976	-	-	-	4,083,976
As at 31 December 2024	172,702,443	611,657	1,991,184	5,126	175,310,410
Credit risk exposures relating to off-balance sheet assets are as follows:					
	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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 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 2025	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	31,991,598	-	-	-	-	-	-	31,991,598
Placement and balances with other banks	7,322,935	-	-	-	-	-	-	7,322,935
Investment in Government securities								
- Amortized cost	36,646,694	-	-	-	-	-	-	36,646,694
Loans and advances to customers:	279,698	1,456,394	13,680,648	30,484,610	2,142,525	44,339,950	22,942,407	115,326,232
Other assets (excluding prepayments)	7,588,865						-	7,588,865
As at 31 December 2025	83,829,790	1,456,394	13,680,648	30,484,610	2,142,525	44,339,950	22,942,407	198,876,324
PD Ranges:								
Stage 1	3%	5%	1%	1%	4%	1%	1%	3%
Stage 2	13%	22%	13	17%	20%	13%	13%	13%
Stage 3	100%	100%	100%	100%	100%	100%	100%	100%
Credit risk exposures relating to off-balance sheet assets are as follows:								
Letters of credit and guarantee				200,000		25,000		3,775,968
Undrawn commitments				504,674				504,674
Total exposure as at 31 December 2025			3,550,968	704,674		25,000		4,280,642

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

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

(b) Industry sectors (continued)

31 December 2024	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	18,877,848	-	-	-	-	-	-	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:								
Other assets (excluding prepayments)	4,083,976	-	-	-	-	-	-	4,083,976
As at 31 December 2024	66,530,162	41,981,806	1,385,809	697,420	10,671,478	45,351,376	8,693,543	175,311,594
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 at 31 December 2024	-	-	-	5,917,847		-	-	5,917,847

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

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.

1.1.1 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 2025. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.1 Foreign exchange risk (continued)

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

As at 31 December 2025	USD TZS'000	EURO TZS'000	GBP TZS'000	Others TZS'000	Total TZS'000
Assets					
Cash and balances with Bank of Tanzania	1,980,748	3,078	3,071	-	1,986,897
Placement and balances with other banks	3,836,667	305,826	34,273	40,681	4,217,447
Loans and advances to customers	918	-	-	-	918
Total financial assets	5,818,333	308,904	37,344	40,681	6,205,262
Liabilities					
Deposits from customers	17,284,274	45,384	841	-	17,330,499
Deposits from other banks	-	-	-	-	-
Total financial liabilities	17,284,274	45,384	841	-	17,330,499
Net on-balance sheet financial position	11,465,941	(263,520)	(36,503)	(40,681)	11,125,237

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)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.1 Foreign exchange risk (continued)

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

Impact on profit or loss and other comprehensive income	2025 USD	2024 USD	2025 EURO	2024 EURO	2025 GBP	2024 GBP
+ 1% movement	114,659	(2,402)	(2,635)	(3,536)	(365)	(37)
- 1% movement	(114,659)	2,402	2,635	3,536	365	37

Impact on equity	2025 USD	2024 USD	2025 EURO	2024 EURO	2025 GBP	2024 GBP
+ 1% movement	(80,261)	1,681	1,845	2,475	256	26
- 1% movement	80,261	(1,681)	(1,845)	(2,475)	(256)	(26)

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

5.2.2 Interest rate risk

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

As at 31 December 2025	Up to 1 month TZS'000	1 - 3 months TZS'000	3 - 12 months TZS'000	Above 1 year TZS'000	Non-interest bearing TZS'000	Total TZS'000
Assets						
Cash and balances with Bank of Tanzania	-	-	-	-	41,761,787	41,761,787
Investment in Government securities						
- Amortised cost	2,250,000	1,500,000	6,000,000	26,896,694	-	36,646,694
Balances with other banks	7,314,572	-	-	-	-	7,314,572
Loans and advances to customers	3,369,826	5,103,949	23,707,032	83,145,425	-	115,326,232
Unquoted Equity Investments	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	7,588,865	7,588,865
Total financial assets	12,934,398	6,603,949	29,707,032	110,042,119	49,389,652	208,677,150
Liabilities						
Deposits from other banks	10,624,384	8,795,934	-	-	-	19,420,318
Lease liability	-	-	780,016	11,059,783	-	11,839,799
Deposits from customers	45,890,637	-	56,186,183	921,224	64,205,370	167,203,414
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	4,847,846	4,847,846
Total financial liabilities	56,515,021	8,795,934	56,966,199	11,981,007	69,053,216	203,311,377
Total interest repricing gap	(43,580,623)	(2,191,985)	(27,259,167)	98,061,112	(19,702,564)	5,326,773

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

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 TZS'000	1 - 3 months TZS'000	3 - 12 months TZS'000	1-5 years TZS'000	Non-interest bearing TZS'000	Total 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

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	Impact on profit or loss and other comprehensive income	2025	2024
+ 1% movement	1% Decrease	250,293	57,878
- 1% movement	1% Decrease	(250,293)	(57,878)

Sensitivity period	Impact on Equity	2025	2024
+ 1% movement	1% Decrease	(175,205)	(40,515)
- 1% movement	1% Decrease	175,205	40,515

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 is 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).

1.1.2 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.

1.1.3 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

1.1.3 Non-derivative cash flows (Continued)

As at 31 December 2025	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	TZS '000	TZS '000
Deposits from customers	167,203,414	(167,586,964)	(110,073,276)	(22,843)	(56,563,576)	(927,269)	-
Deposits from other Banks	19,420,318	(19,637,401)	(9,013,017)	(10,624,384)	-	-	-
Lease liability	11,839,799	(14,466,824)	-	-	(780,016)	(13,686,808)	-
Other liabilities (excluding non-financial liabilities)	4,847,846	(4,847,846)	-	-	-	-	(4,847,846)
Total liabilities	203,311,377	(206,539,035)	(119,086,293)	(10,647,227)	(57,343,592)	(14,614,077)	(4,847,846)
Financial asset by type							
Cash and balances with Bank of Tanzania	41,761,787	41,761,787	-	-	-	-	41,761,787
Government securities - Amortized cost	36,646,694	39,177,295	-	6,127,525	3,982,364	29,067,406	-
Balances with other banks	7,314,572	7,342,056	2,707,151	2,497,333	-	-	2,137,572
Loans and advances to customers	115,326,232	144,181,326	3,462,103	5,482,870	31,907,200	103,329,153	-
Other assets (excluding prepayments)	7,588,865	7,588,865	-	-	-	-	7,588,865
Unquoted Equity Investments	39,000	39,000	-	-	-	-	39,000
Net liquidity gap	208,677,150	240,090,329	6,169,254	14,107,728	35,889,564	132,396,559	51,527,224
Off balance sheet	5,326,773	33,551,294	(112,917,039)	3,460,501	(21,454,028)	117,782,482	46,679,378
As at 31 December 2024	4,280,642	4,280,642			4,280,642		
Financial liability by type							
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-Amortised 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)
Total	5,917,847	5,917,847	-	-	5,917,847	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

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 TZS'000	1 - 5 years TZS'000	Total TZS'000
As at 31 December 2025			
Letters of credit and guarantee	3,775,968	-	3,775,968
Undrawn commitments	504,674	-	504,674
Total	4,280,642	-	4,280,642
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

5.5 Fair value of financial instruments

a) Valuation models

The bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Fair value of financial instruments (Continued)

a) Valuation models (Continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

b) Fair value of financial instruments held at fair value

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2025 and 2024:

	Level 1 TZS' 000	Level 2 TZS' 000	Level 3 TZS' 000	Total TZS' 000
At 31 December 2025				
Government securities at FVOCI	-	1,096,766	-	1,096,766
		1,096,766	-	1,096,766
At 31 December 2024				
Government securities at FVOCI	-	-	-	-
	-	-	-	-

c) Level 3 Fair value measurements

Level 3 instruments relate to investment in UmojaSwitch Company Limited, a non-listed entity with a total price of TZS 39,000,000 (2024: TZS 39,000,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Fair value of financial instruments (Continued)

d) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2025	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	-	41,761,787	-	41,761,787	41,761,787
Government securities measured at amortized cost	-	36,933,821	-	36,933,821	35,549,928
Placement and balances with other banks	-	7,342,056	-	7,342,056	7,314,572
Loans and advances to customers	-	144,181,326	-	144,181,326	115,326,232
Other assets (excluding prepayment)	-	7,588,865	-	7,588,865	7,588,865
Deposits from customers	-	167,586,964	-	167,586,964	167,203,414
Deposits from banks	-	19,637,401	-	19,637,401	19,420,318
Other liabilities (Excluding non-financial other liabilities)	-	4,847,846	-	4,847,846	4,847,846
31 December 2024					
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
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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Fair value (continued)

e) Accounting classifications and fair value

31 December 2025	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	-	41,761,787	-	41,761,787	41,761,787
Government securities measured at amortized cost	-	36,933,821	-	36,933,821	35,549,928
Placement and balances with other banks	-	7,342,056	-	7,342,056	7,314,572
Loans and advances to customers	-	144,181,326	-	144,181,326	115,326,232
Other assets (excluding prepayment)	-	7,588,865	-	7,588,865	7,588,865
Deposits from customers	-	167,586,964	-	167,586,964	167,203,414
Deposits from banks	-	19,637,401	-	19,637,401	19,420,318
Other liabilities (Excluding non-financial other liabilities)	-	4,847,846	-	4,847,846	4,847,846
31 December 2024					
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
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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 common equity tier 1 (CET1) capital to the risk-weighted assets plus risk-weighted off balance sheet assets above the required 8.5%;
- Maintain a ratio of core capital (Tier 1) to the risk-weighted assets plus risk-weighted off-balance sheet assets above the required minimum of 10.%; and
- Maintain total capital of not less than 12% 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 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.6 Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2025 and year ended 31 December 2024. In 2025, the Bank was compliant to minimum core capital required by regulator of TZS 15 billion and capital adequacy ratios (including buffers) of 11%, 12.5% and 14.5% for Common Equity Tier 1 capital, Tier 1 capital and Total capital respectively.

	2025	2024
Tier 1 capital	TZS 000	TZS 000
Share capital	48,458,775	27,797,416
Preference shares	5,811,399	11,622,798
Share premium	2,431,917	2,431,917
Accumulated losses	(28,003,301)	(23,621,094)
Deferred tax	(6,391,125)	(3,195,563)
Prepaid expenses	(1,369,213)	(1,254,776)
Total qualifying Tier 1 capital	20,938,452	13,780,698
Allowance supplementary capital	-	-
Total qualifying Tier 2 capital	-	-
Total regulatory capital (Tier 1 & Tier 2)	20,938,452	13,780,698
Risk-weighted assets		
On-balance sheet	104,449,781	99,000,927
Off-balance sheet	3,187,092	1,422,378
Operational Risk	11,925,015	12,363,495
Market Risk	229,941	192,459
Total risk-weighted assets, operational and market risk	119,791,829	112,979,259
	2025	2024
	%	%
Tier 1 capital (BOT minimum 12.5%)	17.48	12.20
Tier 1 + Tier 2 capital (BOT minimum 14.5%)	17.48	12.20

During the year, following the shareholders' resolution of 16 August 2025, the Bank converted 50% of preference share capital into ordinary share capital of par value of TZS 1,000 and the majority shareholder, National Bank of Malawi Plc injected \$6 million (TZS14,850 million) ordinary share capital of par value of TZS 1,000 each into the business. The major reason for the two capital transactions was to ensure that the Bank complies with new capital regulations on common equity Tier 1 and to improve the Bank's liquidity. The impact of these two capital transactions has been disclosed in the Directors report. Out of the \$6million, \$4 million (TZS 9,882 million) was advanced to the Bank on 27 March 2025 pending conclusion of the capital resolutions by the Bank's shareholders. The balance of \$2 million (TZS 4,968 million) was remitted on 21 January 2026 and has been recognized as a capital receivable and has been disclosed under other assets (Refer to note 31 (d)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

6. INTEREST INCOME

	2025 TZS '000	2024 TZS '000
Interest on Loans and advances to customers	21,810,388	25,208,757
Interest from Government securities- T. Bills	1,354,707	1,043,937
Interest from Government securities- T. Bonds	3,573,069	3,449,536
(a) Total interest income calculated using the effective interest	26,738,164	29,702,230
(b) Interest from placement with other banks	205,189	96,356
Total interest income	26,943,353	29,798,586

7. INTEREST EXPENSES

Savings deposits	1,474,568	1,254,905
Time deposits	6,204,523	5,699,865
Lease liability	1,239,257	1,370,934
Borrowings from other banks	1,476,749	1,494,814
Total interest expenses	10,395,097	9,820,518

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.

Commission income	1,042,600	1,103,881
Bancassurance commissions income (see Note A below)	413,923	393,704
ATM Card	43,121	67,183
ATM Fees	276,435	289,822
Loans commitment fees	1,489,161	1,794,771
Interest from early liquidated loan	6,268	15,762
Withdrawal charges	217,051	200,219
Ledger fees	761,933	605,115
Telegraphic transfer	151,447	95,993
Salary processing	28,074	28,936
Other fees*	252,620	60,230
	4,682,633	4,655,616

- * Other fees includes fees collected from Internet Banking amounting to TZS 200,966,000, sundries fees issued amounting to TZS 27,344,000 and Duplicate statements amounting TZS 24,310,000.

Contract balances

Opening balance (Deferred facility fees – Note 27)	1,591,532	1,666,243
Additions	1,879,159	1,720,060
Revenue recognized (Loan commitment fees – Note 8)	(1,489,161)	(1,794,771)
Closing balance	1,981,530	1,591,532

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 2025 was 1.1 years (2024: 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.

The amount of TZS 1,423,844,244 included in contract liabilities at 31 December 2024 has been recognised as revenue for the year ended 31 December 2025 (2024: TZS 1,770,925,451).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

8. FEES AND COMMISSION INCOME (CONTINUED)

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.

	2025 TZS '000	2024 TZS '000
(a) Bancassurance Commission and expenses		
Commission – General Bima	151,595	230,022
Commission – Life Bima	262,332	163,682
Net fees and commission	413,927	393,704
Operating expenses		
Staff Costs	105,005	41,273
Infrastructure cost	-	-
Administration and general expenses	-	-
Total Expenses	105,005	41,273
Net profit	308,922	352,431

9. FOREIGN EXCHANGE INCOME

Foreign Currency trading	901,578	1,680,733
	901,578	1,680,733
OTHER OPERATING INCOME		
Credit Insurance Income	4	23
(Loss)/Gain disposal of property and equipment	(4,694)	37,692
Other income*	78,594	67,226
	73,904	104,941

10. OTHER OPERATING INCOME

Credit Insurance Income	4	23
(Loss)/Gain disposal of property and equipment	(4,694)	37,692
Other income*	78,594	67,226
	73,904	104,941

*Other income includes bad debt written off for loans and advances to customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

11. STAFF COSTS

	2025 TZS '000	2024 TZS '000
Staff Salaries	8,810,527	11,001,484
Social Security Costs	956,690	1,168,746
Medical insurance	651,187	796,511
Leave allowance	79,548	3,908
Staff welfare	255,099	318,207
Staff Incentives	563,696	721,650
Skill and development levy	308,096	413,938
Workers Compensation Fund	43,414	57,985
Other staff cost	-	223
	11,668,257	14,482,652

12. GENERAL AND ADMINISTRATION EXPENSES

Umoja Switch Expenses	723,164	667,081
Advertising and Marketing	561,308	529,294
ICT infrastructure expenses	2,342,652	1,490,565
Internet and Other IT Consumables	961,557	779,045
Technical assistance	283,443	376,068
Auditors' remuneration*	249,595	215,759
Directors' fees	113,850	131,600
Directors Expenses	115,348	105,271
Training	271,525	399,586
Newspapers and magazines	694	2,870
Travel and lodging	241,851	342,098
Maintenance Equipment	200,526	372,402
Akiba Mobile expenses	120,104	255,809
Fuel Motor vehicle & Generator	171,750	334,437
Telephones	88,744	120,300
Stationery expense	227,834	322,744
Insurance	507,100	523,117
Subscription & Professional fees	402,594	352,162
Legal expense	478,382	698,530
Security	1,019,987	1,098,706
Electricity	285,576	327,688
Premises expenses	518,243	670,217
Postage and courier expense	39,645	41,479
Auctioneers Expenses	289,622	574,257
Bank Charges	29,271	31,806
Agent Bank Deposit Commission	452,887	449,898
Miscellaneous expenses	67,270	1,002,256
Alternative Minimum Tax	150,000	150,000
	10,914,522	12,365,045

* Auditors' remuneration include statutory audit fees amounting to TZS 207 million, fees for other non-audit services from KPMG relating to regulatory mandated ICT systems amounting to TZS 34 million and fees for review of Bancassurance returns amounting to TZS 8 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

13. DEPRECIATION AND AMORTISATION

	2025 TZS '000	2024 TZS '000
Depreciation-Property and equipment (Note 20)	2,742,549	2,581,435
Amortization-Intangible assets (Note 21)	1,239,902	243,381
	3,982,451	2,824,816

14. INCOME TAX

(a) Tax expense for the year is arrived at as follows:		
Current income tax -prior year	-	-
Deferred income tax – relating to prior years	-	-
Deferred income tax derecognized in the current year	-	-
	-	-
(b) Reconciliation of tax expense to the expected tax based on accounting profit.		
Accounting loss before tax	(4,852,744)	(5,823,262)
Tax calculated at the statutory income tax rate of 30%	(1,455,823)	(1,746,979)
Tax effect of:		
Expenditure permanently disallowed	(452,097)	92,259
Unrecognised deferred tax	1,907,920	1,654,720
Prior years corporate tax	-	-
Prior year deferred tax under-provision	-	-
Income tax expense	-	-
(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	9,770,189	13,045,559
Balances with Bank of Tanzania		
Clearing account - local currency	2,799,784	3,390,395
Clearing account - foreign currency	19,198,112	6,238,882
Statutory minimum reserve	10,002,256	9,255,091
	41,770,341	31,929,927
Allowance for impairment	(8,554)	(6,520)
Net balance	41,761,787	31,923,407

80% of 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 28).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

16. BALANCES WITH OTHER BANKS

	2025 TZS '000	2024 TZS '000
Maturing within 90 days		
Balances with banks abroad	1,750,030	1,344,542
Cheques and items in the course of clearing	388,015	1,705,046
Balance with other banks	307	307
Placements with other banks	5,184,583	1,223,662
Gross balance	7,322,935	4,273,557
Allowance for impairment	(8,363)	(1,184)
Net balance	7,314,572	4,272,373

17. OANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS		
Loans and advances to customers	113,917,202	106,099,380
Staff loans	5,892,776	6,490,371
Gross loans and advances	119,809,978	112,589,751
Less: allowance for expected credit losses (ECL)	(4,483,746)	(3,808,319)
	115,326,232	108,781,432
Gross loans and advances to customers by class are as follows:		
Micro and Small Enterprises (MSEs)	50,823,534	30,117,137
Consumer loans	51,236,023	44,830,543
Corporate loans	15,710,451	37,278,096
Overdrafts	2,039,970	363,975
	119,809,978	112,589,751
Analysis of loans and advances to customers by maturity		
Maturing:		
Within 1 year	27,110,485	32,738,126
Between 1 year and 5 years	92,699,493	79,851,625
	119,809,978	112,589,751
Movement of loans and advances impairment allowance		
Balance at 1 January	3,808,319	2,869,214
Impairment losses for the year	2,069,121	4,198,026
Loans and advances written off during the year *	(1,393,694)	(3,258,921)
	4,483,746	3,808,319
Impairment charge to profit or loss is broken as follows		
Impairment charge for credit loss	2,069,121	4,231,603
Amount recovered	(1,575,236)	(1,661,496)
	493,885	2,570,107

*During the prior year, a casting error was identified in the disclosure of the movement in the impairment allowance. The error was immaterial and did not affect the financial statements. In accordance with IAS 8, comparative figures have not been restated. The opening balance of the current period reflects the corrected amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

18. (a) GOVERNMENT SECURITIES – AMORTIZED COST

	2025 TZS 000	2024 TZS 000
Treasury Bills		
Maturing after 91 days	9,456,856	13,249,910

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

(b) TREASURY BONDS – AMORTIZED COST

Treasury Bonds	24,500,000	24,500,001
Accrued Bond Discount and Premium	549,616	593,607
Accrued Coupon Interest	1,101,817	1,021,487
	26,151,433	26,115,095

(b) TREASURY BONDS – FVOCI

Treasury Bonds	1,096,766	-
	1,096,766	-

Total Government securities	36,705,055	39,365,005
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Gross amount – Treasury bond at Amortized cost	35,608,289	39,365,005
Allowance for impairment	(58,361)	(70,224)
	35,549,928	39,294,781
Treasury bond at FVOCI	1,096,766	-
Net balance	36,646,694	39,294,781

Movement of Government Securities as per Statement of Cashflow		
01 January	39,294,781	37,008,624
Additions	9,904,489	14,550,000
Proceeds from mature Government securities	(12,707,703)	(12,334,067)
Allowance for impairment	58,361	70,224
31 December	36,549,928	39,294,781
Noncash items not included in the statement of cashflow	96,766	-
Total balance	36,646,694	39,294,781

An immaterial prior year allowance for impairment previously included within proceeds from matured government securities has been reclassified to exclude the non-cash component, with no impact on profit or loss or equity

19. UNQUOTED EQUITY INVESTMENT

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

Investment in shares represents 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 have 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

21. PROPERTY AND EQUIPMENT

	Motor Vehicles TZS '000	Fixtures, fittings and equipment TZS '000	Leasehold improvements TZS '000	Sub-total TZS '000	Right of use asset TZS '000	Total TZS '000
Cost						
At 1 January 2025	1,075,091	13,012,396	6,248,041	20,335,528	19,247,446	39,582,974
Additions	-	1,563,792	-	1,563,792	-	1,563,792
Disposals	-	(238,170)	(574,459)	(812,629)	-	(812,629)
At 31 December 2025	1,075,091	14,338,018	5,673,582	21,086,691	19,247,446	40,334,137
Depreciation						
At 1 January 2025	554,512	10,162,328	6,072,805	16,789,645	9,006,784	25,796,429
Charge for the year	230,967	978,303	106,519	1,315,789	1,426,761	2,742,550
Disposals	-	-	(795,601)	(795,601)	-	(795,601)
Re-measurement	-	-	-	-	-	-
At 31 December 2025	785,479	11,140,631	5,383,723	17,309,833	10,433,545	27,743,378
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)
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)	-	(612,739)
Re-measurement	-	-	-	-	(394,325)	(394,325)
At 31 December 2024	554,512	10,162,328	6,072,805	16,789,645	9,006,784	25,796,429
NET BOOK VALUE						
As at 31 December 2025	289,612	3,197,387	289,859	3,776,858	8,813,901	12,590,759
As at 31 December 2024	520,579	2,850,068	175,236	3,545,883	10,240,662	13,786,545

*Lease remeasurement of TZS 394m previously included within depreciation on disposals, has been reclassified to a separate lease remeasurement line under right-of-use assets in accordance with IAS 1.41. This reclassification, which has been assessed as immaterial, affects only the property, plant and equipment note and has no impact on the primary financial statements, profit or loss, or equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

21. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2025 TZS '000	2024 TZS '000
Cost		
At start of year	8,650,146	4,110,261
Additions	1,223,539	4,539,885
At end of year	9,873,685	8,650,146
Amortisation		
At start of year	3,822,615	3,579,234
Current year charge	1,239,902	243,381
At end of year	5,062,517	3,822,615
NET BOOK VALUE	4,811,168	4,827,531

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:

At start of year	12,965,255	11,310,535
Prior years charge to profit or loss	-	-
Unrecognized current year deferred tax portion	(1,907,919)	1,654,720
Total deferred tax asset	11,057,336	12,965,255
Unrecognised deferred tax asset	(4,666,211)	(6,574,130)
At the end of year	6,391,125	6,391,125

Deferred income tax liabilities and deferred income tax charge to the profit and loss account are attributed to the following items:

	1-January TZS '000	(Debit)/ Credit to profit or loss TZS' 000	31-December TZS' 000
2025			
Tax losses	11,512,822	(1,476,461)	10,036,361
Property and equipment	3,419	(164,228)	(160,809)
Other timing differences	1,449,014	(267,230)	1,181,784
Total deferred tax	12,965,255	(1,907,919)	11,057,336
Unrecognized deferred tax	(6,574,130)	1,907,919	(4,666,211)
	6,391,125	-	6,391,125
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

23. OTHER ASSETS

	2025 TZS 000	2024 TZS 000
Other receivables*	254,527	197,634
Float Balance	2,574,929	3,125,172
Agent Bank Deposit balance	54,560	1,129,391
Prepayments	1,369,213	1,254,776
Gross balance	4,253,229	5,706,973
Allowance for impairment	(263,351)	(242,847)
Net balance	3,989,878	5,464,126

*Other receivables include branch operating expenditures TZS 104,225,000 and interbranch local and foreign currency amounting to TZS 150,302,000.

Deposits from other banks	19,420,318	17,406,565
	19,420,318	17,406,565

25. DEPOSITS FROM CUSTOMERS

Current accounts	31,510,058	23,657,821
Biashara accounts	19,671,379	18,070,368
Savings accounts	50,622,722	54,388,328
Time deposit accounts	64,330,273	62,922,910
Special deposits	1,068,982	993,594
	167,203,414	160,033,021

Maturity Analysis:

Payable within three months	110,912,153	125,691,126`
Payable within three to twelve months	45,273,564	31,898,436
Payable over one year	11,017,697	2,443,459
	167,203,414	160,033,021

26. LEASE LIABILITY

At start of the year	12,685,905	14,063,584
Finance Cost	1,239,257	1,370,934
Payment -Principal	(797,907)	(1,018,748)
-Interest	(1,239,257)	(1,370,934)
Forex	(48,199)	(352,186)
Re-Measurement*	-	(6,745)
	11,839,799	12,685,905

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

26. LEASE LIABILITY (CONTINUED)

The following amounts have been recognised in the statement of comprehensive income in respect of leases in which we are the lessee:

	2025 TZS 000	2024 TZS 000
Depreciation charge rights of use asset	1,426,761	1,558,260
Interest expense on lease liabilities	1,239,257	1,370,934
Expenses relating to leases of low value assets	-	126,960
	2,666,018	3,056,154
The following amounts have been presented on the cash flow statement		
Lease payment – Principal portion	(797,907)	(1,018,748)
Lease interest payment	(1,239,257)	(1,370,934)

Extensions options

Some leases of office premises contain extension options exercised 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.

27. OTHER LIABILITIES

Statutory deductions	390,054	368,609
Withholding Tax, AMT and VAT Payable	884,179	745,136
Deferred facility fees	1,981,530	1,591,532
Accrued leave	185,543	168,146
Other accrued expenses	789,010	446,829
Trade creditors	979,169	587,543
Auditor's fees payable	113,020	84,675
Dividend payable	24,627	24,627
Mobile service payable	6,397	6,920
Loan insurance premium	283,327	1,003,100
Customer clearance payable	23,207	(3,493)
Other liabilities*	103,225	112,591
	5,763,288	5,136,215

*Other liabilities includes stale cheques TZS 48,575,000, Bank guarantees TZS 10,146,000, project fund TZS 44,604,000.

28. CASH AND CASH EQUIVALENTS

Cash and balances with Bank of Tanzania (Note 15)	41,770,341	31,929,927
SMR (Note 15)*	(10,002,256)	(9,255,091)
Unrestricted (Accessible) SMR (20% of SMR) **	2,000,451	1,851,018
Float balance	2,574,929	3,125,172
Agent Bank Deposit balance (Note 23)	54,560	1,129,391
Loans and advances to banks (Note 16)	7,314,572	4,273,557
	43,712,597	33,053,974

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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

29. SHARE CAPITAL AND RESERVES

	2025 TZS 000	2024 TZS 000
Authorised Share Capital		
100,000,000 ordinary shares of TZS 1,000 each	100,000,000	100,000,000
(a) Issued and fully paid		
44,458,775 (2024:27,797,416) ordinary shares of TZS 1,000 each	48,458,775	27,797,416
(b) Preference Shares		
5,811,399 (2024:11,622,798) Perpetual Non-Cumulative Preference shares of TZS 1000 each		
Opening balance	11,622,798	11,622,798
Converted into ordinary shares of par value of TZS 1,000 each	(5,811,399)	-
	5,811,399	11,622,798
(c) Share premium	2,431,917	2,431,917
(d) Fair value Reserve	96,766	-
(e) Regulatory Reserve	968,415	1,438,951

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. During the year, 50% of the Perpetual Non-Cumulative Preference shares with a par value of TZS 1,000 per share were converted into ordinary shares of par value of TZS 1,000 per share to ensure that the Bank complies with the minimum Common Equity Tier 1 regulatory ratio.

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.

30. 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 3,776 million (2024: TZS 5,918 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

30. OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

At the end of the reporting period the Bank had outstanding commitments to extend credit amounting to TZS 505 million (2024: TZS 0.257 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 2025 (2024: 115 million). Apart from the ones provided, other litigations, current or pending amounting to TZS3,685 million (2024: TZS4,004 million), 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 2025 the bank had potential outstanding tax exposure amounting to TZS 2,618 million (2024: 2,450 million). The bank has maintained a provision of TZS 1,300 million while waiting for conclusions of engagements with the Tax Revenue Appeals Board (TRAB).

Capital commitments.

There were no capital commitments authorized as at year end (2024: Nil).

31. 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:

	2025 TZS 000	2024 TZS 000
Loans to shareholders and related companies		
At start of year	238,053	250,000
Advances	71,452	-
Repayment made	(35,726)	(11,947)
At end of year	273,779	238,053

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

31. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Loans and advances to related parties (continued)

Advances to key management personnel were as follows:

	2025 TZS 000	2024 TZS 000
At start of year	623,056	700,392
Advances	331,452	97,603
Repayment made	(304,167)	(174,939)
At end of year	650,341	623,056
Interest income earned	45,342	19,738

Loans and advances to related parties were fully performing as at 31 December 2025 and 31 December 2024.

(ii) Deposits from related parties

(a) Deposits balances from shareholders

PSSSF	8,021,863	10,000,000
Inter Consult Limited	47,627	21,910
ERNCON Holdings Limited	-	120,794
	8,069,490	10,142,704

(b) Deposits from directors, key management personnel and their related parties

At start of year	292,765	108,744
Deposits made during the year	2,198,921	594,780
Deposits withdrawn	(2,064,197)	(410,759)
Balance as at 31 December	427,489	292,765
Interest expense incurred	2,732	1,457

(c) Deposits from shareholders

At start of year	10,142,704	6,546,886
Deposits made during the year	8,003,487	4,341,314
Deposits withdrawn	(10,076,701)	(745,496)
At end of year	8,069,490	10,142,704
Interest expense incurred	158,450	147,330

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

31. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Deposits from related parties (continued)

(d) Share capital receivable

	2025 TZS 000	2024 TZS 000
Share capital receivable from NBM	4,968,200	-
	4,968,200	-

Majority shareholder, National Bank of Malawi Plc injected TZS 4,968 million into the business to comply with capital regulations and fund business operation. The capital was injected on 21 January 2026.

(iii) Key Management compensation

Salaries	1,751,589	1,828,849
Other short-term benefits	7,290	5,650
	1,758,879	1,834,499

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.

(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	3.73
Ms. Catherine Kimaryo	Tanzanian	15,122	15,122	0.03
Mr. Andrew Ernest Massawe	Tanzanian	686	686	0.001

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

31. RELATED PARTY DISCLOSURES (CONTINUED)

(v) Directors' remunerations

Fees and other expenses incurred by the Directors of the Bank during the period are as follows:

Name	2025 Directors' fees TZS 000	2025 Other Expenses TZS 000	2024 Directors' fees TZS 000	2024 Other Expenses TZS 000
Catherine Kimaryo	16,100	6,300	16,100	10,500
Prof. Josephat Lotto	11,500	9,000	11,500	10,000
Rukia Adam	11,500	8,500	11,500	10,000
MacFussy Kawawa	11,500	7,500	11,500	9,000
Harold Jiya	11,500	6,000	11,500	8,500
Masauko Katsala	11,500	9,500	11,500	10,000
Zunzo Mitole	11,500	7,500	11,500	9,000
Duoglas Kamwendo	11,500	8,500		-
Benedict Mahona	11,500	10,500	11,500	12,500
Andrew Massawe	11,500	9,000	11,500	14,500
	119,600	82,300	108,100	94,000

32. COUNTRY OF INCORPORATION

The Bank is incorporated under the Companies Act, 2002 and is domiciled in Tanzania.

33. ASSETS PLEDGED AS SECURITY

As at 31 December 2025 Treasury bonds and Treasury bills amounting to TZS 17,925 million had been pledged by the Bank to secure deposits with other banks (2024: TZS 23,255 million).

34. 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.

35. SUBSEQUENT EVENTS DISCLOSURE

The directors are not aware of any subsequent event with material effect to the financial statements.

36. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

i) New standards, amendments and interpretations effective and adopted during the year

During the current year, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS-IC) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2025. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Bank's accounting policies. The Bank adopted the following standards, interpretations and amended standards during the year:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

36. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

i) New standards, amendments and interpretations effective and adopted during the year (Continued)

Effective date	New standard or amendment
1 January 2025	Amendments resulting from annual improvements for the following standards. Lack of Exchangeability - Amendments to IAS 21 The amendments require companies to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include: • the nature and financial impacts of the currency not being exchangeable. • the spot exchange rate used. • the estimation process; and risks to the company because the currency is not exchangeable.

ii) Forthcoming requirements

This table lists the recent changes to the Accounting Standards that are not yet effective as at 31 December 2025 and that are available for early adoption in annual periods beginning on 1 January 2025; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

Effective date	Standard
1 January 2026	Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i> Annual Improvements to IFRS Accounting Standards – Amendments to: • IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>; • IFRS 7 <i>Financial Instruments: Disclosures</i> and its accompanying <i>Guidance on implementing IFRS 7</i>; • IFRS 9 <i>Financial Instruments</i>; • IFRS 10 <i>Consolidated Financial Statements</i>; and • IAS 7 <i>Statement of Cash flows</i> Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

36. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

ii) Forthcoming requirements (Continued)

Effective date	Standard
1 January 2027	IFRS 18 <i>Presentation and Disclosure in Financial Statements</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 analyse 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.
	IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i> 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 for 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. The standard is not expected to have significant impact on the Bank’s financial statements since it does not have any subsidiaries.
	IFRS for SMEs third edition*
	IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> *
To be determined	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures ** The standard is not expected to have significant impact on the Bank’s financial statements since it does not have any subsidiaries.

* The effective date is for the updated sections only.

** The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

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benki kwa maendeleo yako



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