REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

ISO 9001:2015 Certified

TANZANIA COMMERCIAL BANK PUBLIC LIMITED COMPANY

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

Controller and Auditor General
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March 2026

AR/PA/TCB/2025

About the National Audit Office

Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap. 418.

NAOT Vision, Mission & Motto

Vision

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

mission

To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

Motto

Modernizing External Audit for Stronger Public Confidence

Core Values

Independence and Objectivity: We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

Integrity: We observe and maintain high ethical standards and rules of law in the delivery of audit services.

Results-Oriented: We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.

Professional competence: We deliver high quality audit services based on appropriate professional knowledge, skills, and best practices.

Creativity and Innovation: We encourage, create and innovate value-adding ideas for the improvement of audit services.

Team Work Spirit: We value and work together with internal and external stakeholders.

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TABLE OF CONTENTS

ABBREVIATIONS iii

1.0 CORPORATE INFORMATION iv

2.0 INDEPENDENT REPORT OF THE CONTROLLER AND A\UDITOR GENERAL 1

3.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE 8

4.0 STATEMENT OF RESPONSIBILITIES BY THOSE CHARGED WITH GOVERNANCE 97

5.0 DECLARATION OF HEAD OF FINANCE..... 98

6.0 FINANCIAL STATEMENTS..... 99

STATEMENT OF FINANCIAL POSITION..... 99

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 100

STATEMENT OF CHANGES IN EQUITY 101

STATEMENT OF CASH FLOWS 102

NOTES TO THE FINANCIAL STATEMENTS 103

ABBREVIATIONS

ARCC	Audit, Risk Management and Compliance Committee
BOT	Bank of Tanzania
CAG	Controller and Auditor General
GRRC	Governance, Recruitment and Remuneration Committee
ISAs	International Standards on Auditing
ISSAI	International Standards of Supreme Audit Institutions
IFRSs	International Financial Reporting Standards
MTN	Medium Term Note
NBAA	National Board of Accountants and Auditors
PAA	Public Audit Act, Cap. 418
PAR	Public Audit Regulations, 2009
PAC	Public Accounts Committee
PFA	Public Finance Act No.6 of 2001 (Revised 2004)
PFR	Public Finance Regulations,2001
PPA	Public Procurement Act, 2011
PPR	Public Procurement Regulations, 2013
Reg.	Regulations
Sect.	Section
SMR	Statutory Minimum Reserve
TIB	TIB Corporate Bank Limited
TP & TC SACCOS	Posta na Simu Savings & Credit Cooperative Society
TWB	Tanzania Women's Bank Plc
URT	United Republic of Tanzania

CORPORATE INFORMATION

DIRECTORS

Name	Position	Remarks
Mr. Martin E. Kilimba	Chairman	Appointed 15th May, 2024
Mr. Laibu L. Ngulo	Member	Appointed on 10th January, 2024
Mr. Goodluck Lukumay	Member	Appointed on 1st January, 2025
Mr. Jerry Sabi	Member	Appointed on 10th July, 2025
Ms. Sylvia Shelukindo	Member	Appointed on 10th July, 2025
Ms. Imelda Lutebinga	Member	Appointed on 1st January 2025
Mr. Aboud H. Mwinyi	Member	Appointed on 23rd June 2023
Dr. Allan I. Shimba	Member	Reappointed on 17th January 2025
Mr. Macrice Mbodo	Member	Reappointed on 4th October 2024, resigned in November 2025
Mr. John Mwakalonge	Member	Appointed on 17 November 2025
Mr. Adam C. Mihayo	Member	Appointed on 1st March, 2024

AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

Name	Position
Mr. Goodluck Lukumay	Chairman
Mr. Macrice Mbodo	Member
Ms. Imelda Lutebinga	Member

GOVERNANCE, RECRUITMENT AND REMUNERATION COMMITTEE

Name	Position
Dr. Allan I. Shimba	Chairman
Mr. Jerry Sabi	Member
Mr. Aboud H. Mwinyi	Member

BOARD CREDIT COMMITTEE

Name	Position
Mr. Laibu L.Ngulo	Chairman
Dr. Allan I. Shimba	Member
Ms. Sylvia Shelukindo	Member

SECRETARY

Dotto Marco Kahabi
Director Legal Services & Company Secretary
Tanzania Commercial Bank Public Limited Company
PSSSF Millennium Towers
Bagamoyo Road
P.O. Box 9300
Dar es Salaam

CORPORATE INFORMATION (CONTINUED)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	PSSSF Millennium Tower II Bagamoyo Road P.O. Box 9300 Dar es Salaam
PRINCIPAL AUDITOR	Controller and Auditor General National Audit Office P.O. Box 950 Tambukareli Dodoma
DELEGATED AUDITOR	Deloitte & Touche Certified Public Accountants (Tanzania) 3rd Floor, ARiS House Plot 152, Haile Selassie Road, Oysterbay P.O. Box 1559 Dar es Salaam, Tanzania
LAWYERS	Kailu Chambers Advocates Plot No 75/6, Block S, P.O. Box 127 Mwanza Droit Law Chambers Plot No 33, Block G Nyamanora, Airport Road 3rd Floor P.O. Box 351 Mwanza Epic Law Partners (B&E Ako Law) P.O. Box 71748 Plot No 30 House No 7 Regent Estate Dar- es- salaam Legis Attorneys 4th City Plaza Building/Golden Tulip Hotel City Center, Jamhuri Street P.O. Box 3750 Dar- es- salaam Law Front Advocates P.O. Box 31312 Jued Business Centre Rose Garden Rd Mikocheni A Dar- es -salaam

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairperson of the Board of Directors,
Tanzania Commercial Bank Public Limited Company,
P.O. Box 9300,
DAR ES SALAAM

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Tanzania Commercial Bank Public Limited Company ("TCB Bank Plc" or "the Bank"), which comprise 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, including a summary of material accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of Tanzania Commercial Bank Public Limited Company 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 International Accounting Standards Board and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the section below entitled, "Responsibility of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of Tanzania Commercial Bank Public Limited Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Key Audit Matters (Continued)

Key audit matter	How my audit addressed the key audit matter
Expected Credit Losses (ECL) on loans and advance to customers	
Accounting policy 3(i) and Note 23 to the financial statements At 31 December 2025, the Bank had a total gross loans and advances to customers of TZS 1,524.8 billion with expected credit losses of TZS 26.2 billion. Key judgements and estimates in respect of the measurement of expected credit loss (ECL) include the following: • Allocation of assets to stages 1, 2, or 3 using criteria in accordance with the accounting standard; • Accounting interpretations and modelling assumptions used to build the ECL model; • Completeness and accuracy of data used to calculate the ECL; • Inputs and assumptions used to estimate the impact of multiple economic scenarios;	In evaluating the impairment against loans and advances, I assessed the judgements and assumptions used by the Directors and my procedures included the following: • I reviewed the appropriateness and compliance of the ECL model to the accounting standard regarding the methods used to determine historical default rates, macroeconomic variables and adjustments, expected cash flows, credit conversion factors and effective interest rates; • I reviewed the appropriateness of the definition of default, cure definition and significant increase in credit risk (SICR) of the model; • I performed a review of the approach used to segment portfolio into similar risk characteristics; • I performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment; • I tested the criteria used to allocate Financials asset to stages 1, 2 or 3 in accordance with IFRS 9; and verified that they were allocated to the appropriate stage;

Key Audit Matters (Continued)

Key audit matter	How my audit addressed the key audit matter
• Compliance of the model with the standard in computation matrices used in the ECL model for calculation of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (AD); and • Accuracy and adequacy of the financial statement disclosures.	• I tested the management assumptions, inputs and formulas used in a sample of ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for a sample of models; • To verify data quality, I tested the data used in the ECL calculation by reconciling to source systems; • I further assessed the base case and alternative economic scenarios, including challenging probability weights and comparing to other scenarios from a variety of external sources; • I assessed whether forecasted macroeconomic variables were appropriate, such as GDP, interest rates and interbank lending rates; • I assessed the correlation and impact of the macroeconomic factors to the ECL including how non-linearity was captured; and • I tested the adequacy and appropriateness of disclosures for compliance with the accounting standards including the transaction disclosures. I found that the assumptions and judgements applied in determining impairment against loans and advances were appropriate and that the amount raised was reasonable and adequate.

Other Information

Management is responsible for the other information. The other information comprises the Report of Those Charged with Governance, Statement of Responsibilities by Those Charged with Governance, Declaration by the Head of Finance and Corporate information but does not include the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or the knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 and for such internal control as management 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, management is 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 management either intends to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

My 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 audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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 ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements (Continued)

- 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 my 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 management;

- Conclude on the appropriateness of management's 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 I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

- 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I 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. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements (Continued)

In addition, Section 10 (2) of the Public Audit Act, Cap 418 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, CAP. 410, [R.E. 2022] requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with Banking and Financial Institutions Regulations

As required by the Banking and Financial Institutions (External Auditors) Regulations, 2014 of Tanzania, I report to you, based on my audit, that.

The capital adequacy ratios disclosed in Note 5(f) to the financial statements have been calculated in accordance with the Banking and Financial Institutions (Capital Adequacy) Regulations, 2023 (the "Regulations"). Regulation 8 of the Regulations requires the Bank to maintain a minimum core capital ratio of 10% and a total capital ratio of 12%, measured against its total risk-weighted assets and off-balance sheet exposures. In addition, Regulation 9 of the Regulations requires the Bank to maintain a capital buffer of 2.5% of its total risk-weighted assets and off-balance sheet exposures, made up of Common Equity Tier 1 capital elements.

I state that, as at 31 December 2025, the Bank complied with Regulation 8 minimum capital requirements but did not comply with Regulation 9 capital buffer; however, the Bank of Tanzania has granted a waiver to comply by 31 December 2026.

1.2.2 Compliance with the Public Procurement Act

Subject matter: Compliance audit on procurement of works, goods and services

I performed a compliance audit on procurement of works, goods and services in the Tanzania Commercial Bank Public Limited Company for the financial year ended 31 December 2025 as per the Public Procurement Laws in Tanzania.

Conclusion

Based on the audit work performed, I state that, procurement of works, goods and services of Tanzania Commercial Bank Public Limited Company is generally in compliance with the requirements of the Public Procurement Laws in Tanzania.

1.2.3 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Tanzania Commercial Bank Public Limited Company Limited for the financial year ended 31 December 2025 as per the Budget Act and other Budget Guidelines.

Conclusion

Based on the audit work performed, I state that, the budget formulation and execution of Tanzania Commercial Bank Public Limited Company is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

1.2.4 Compliance with the Companies Act, 2002

Subject matter: Report based on our audit

I report to you based on our audit of the Tanzania Commercial Bank Public Limited Company for the financial year ended 31 December 2025 as per the Companies Act, 2002.

Conclusion

As required by the Companies Act, 2002, I report to you, based on my audit, that:

i) I have obtained all the information and explanations, which to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii) In my opinion, proper books of account have been kept by the Bank, so far as appears from my examination of those books; and

iii) The Bank's statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

Charles E. Kichere
Controller and Auditor General
Dodoma, United Republic of Tanzania
March 2026

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

1. INTRODUCTION

Those charged with governance, the Board of Directors (the "Directors"), are honored and have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2025, which discloses the state of affairs of Tanzania Commercial Bank PLC (the "Bank" or "TCB Bank PLC" or the "Entity")

2. INCORPORATION

The Bank is a Public Limited company incorporated in Tanzania under the Companies Act, 2002 on 29 March 2016 and was awarded a Certificate of Incorporation Number 125056.

3. MISSION, VISION AND CORE VALUES

Vision

To be the leading Bank in the provision of innovative financial solutions and promoting financial inclusion in Tanzania.

Mission

To provide convenient banking products and services through the deployment of innovative solutions, enhance value to stakeholders and contribute to the socio-economic needs of the Country.

Core values of the Bank

The Bank operates with a set of core values that guide its service delivery and internal culture. These values are;

Teamwork: Our business units will work together in harmony so as to make sure our customers get the best value for money in the services and products we offer.

Creativity: We believe diversity is indispensable in bringing out creativity as we continuously seek to introduce new and better ways at what we do. Innovation is an essential tool of excelling in a highly competitive banking industry.

Trustworthy: Our people conduct themselves ethically in a manner that is above reproach to win the trust of our customers and stakeholders.

Excellence: Committed to the quest for excellence, we deliver what we promise and add value that goes well beyond what is expected.

Customer Focus: All our activities are primarily focused on customers' needs and their fulfillment; we invest to enhance their experience of banking with us. The market we serve determines our choice of products and services and the way we deliver them.

4. NATURE OF OPERATIONS

The bank operates within a dynamic environment influenced by multiple external forces. To ensure continued success, the bank proactively navigates this complex landscape, adapting its strategies and operations as needed. Through this approach, the Bank remains committed to delivering sustained value to all its stakeholders.

a) Legislative and Regulatory Environment

The Bank is regulated by the Bank of Tanzania (BOT) and is subject to the provisions of the Banking and Financial Institutions Act, 2006 and its regulations. During the year, BOT issued several guidelines including the Guidelines on Reporting of Sustainability - Related Risks and Opportunities for Banks and Financial Institutions, Foreign Exchange Regulations, amendments made to the Financial Consumer Protection Regulation, and Guidelines on Climate Related Financial Risks Management and Disclosures. Additionally, The Finance Act, 2025 introduced amendments to the Income Tax Act allowing the Commissioner to deem 30% of an entity's profits as distributed where no dividend is declared within twelve months after the end of the year of income. The deemed distribution is treated as having occurred twelve months after the year end for tax purposes. Where a dividend is subsequently declared, withholding tax will not apply to the portion already treated as a deemed distribution. Management will continue to monitor the implications of this amendment on the Bank's tax position.

b) The Industry the Entity Operates In

The Bank operated alongside 42 banks (of which 35 are Commercial Banks, 3 Microfinance Banks, 2 Community Banks and 2 Development Finance Banks), 4 Financial Leasing Operators, 2 Mortgage Financiers, 2 Credit Reference Bureaus, 55 Bureau de Change, 2 Representative Offices and 4 Social Security Schemes. The banking sector represented 70.2% of the total financial sector of Tanzania. The sector had a total of 1,032 branches and 162,946 agents[1].

c) Main Products, Services, Customers, Business Processes and Distribution Methods

Customers sit at the center of the Bank's operations. With 82 outlets strategically located across all regions and most districts in Tanzania, alongside 86 ATMs, the bank ensures convenient access to its services. Additionally, customers benefit from access to 257 ATMs through Umoja Switch and a further 750 ATMs via the Umoja Switch partnership with NMB Bank. The bank has also integrated its mobile banking product, TCB Popote, with all mobile money providers in Tanzania. These initiatives position the Bank strongly to continue meeting the evolving needs of its customers.

The Bank has recalibrated itself to serve corporates and SME's while also continuing to deliver propositions to the last mile. The Bank has evolved into financial solution provider with the capacity and capability to serve multiple customer segments. The bank offers various products as shown below.

Lending Products:

- Bank Guarantees
- Invoice Discounting Loans

[1] Bank of Tanzania.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

4. NATURE OF OPERATIONS(CONTINUED)

c) Main Products, Services, Customers, Business Processes and Distribution Methods (Continued)

Lending Products (Continued)

•Business Loans (Corporate and SME);
•Consumer Loans and
•Loans to Pensioners (Wastaafu Loan - in partnership with all Pension Funds in Tanzania)

Based on gender, the number of loan beneficiaries increased from 64,892 to 65,329 for males and from 24,880 to 25,887 , see the table below. During the year, the Bank launched Digital loans in August 2025, a short-term digital loan whose tenure ranges from 0 to 30 days, With 97,000 customers and disbursed TZS 27 billion. The bank manages a mortgage portfolio amounting to TZS 45.0 billion making it among the largest promoters of home ownership in the country during the year.

Loan beneficiaries by gender

Gender	2025	2024	Increase
Female	25,887	24,880	1,007
Male	65,329	64,892	437

Deposit Products:

- Current Accounts;
- Savings Accounts;
- Fixed Deposit Accounts;
- Call Accounts;
- Premier Banking; and
- Diaspora Banking.

The bank launched Premier Banking and Diaspora Banking during the year and managed to mobilize deposits amounting to TZS 30.9bilion. Additionally, the Bank Agribusiness portfolio mobilized deposit amounting to TZS 85.6 billion during the year.

Digital and Electronic Channels:

- TCB Popote (mobile banking platform integrated with all major mobile money operators)
- VISA card services;
- ATM network; and
- Internet Banking.

The bank's mobile banking customers grew from 408,734 in 2024 to 560,924 in 2025 marking an increase of 152,190 customers during the year.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

4. NATURE OF OPERATIONS(CONTINUED)

c) Main Products, Services, Customers, Business Processes and Distribution Methods (Continued)

Other Services:

- Bancassurance (in partnership with National Insurance Corporation, Zanzibar Insurance Corporation, MO Assurance, Strategy Insurance, ICEA Lion Insurance, McGen Insurance, Jubilee Life, Alliance Life Assurance, Metro Life and NIC Life);
- Agency Banking;
- Foreign exchange services;
- Domestic and international remittances; and
- Trade finance.

The bank's agents increased from 6,774 in 2024 to 8,278 in 2025, an increase of 1,504 agents during the year.

d) Structure of the Entity's Operation and Economic Model

The Bank operates a relationship-driven business model, mobilizing deposits from customers with whom it has established mutual trust. These deposits are then sustainably lent to other customers, supporting economic growth and financial inclusion. The Bank's value creation extends to all stakeholders engaged in its operations.

Headquartered in Dar-es-Salaam, the Bank maintains a strong national presence, with its own staff operating across 82 locations in every region of Tanzania.

e) Effectiveness and efficient Utilization of Resources

The Bank is going through a metamorphosis as it pivots to leveraging digitalization while serving small and medium enterprises at a more accelerated rate. This calls for a need to be effective and efficient in the utilization of resources. One way of achieving this is through partnerships. This is why on 2025 the Bank launched TRC Prepaid Cards as well as the DSE App which is now available on Popote App. Collaboration offers a quick and low cost approach to meet the bank's strategic goals. The bank will continue to manage costs in a wholistic manner as well as be aware of the need to effectively maximize all of its resources.

f) Macro and Micro Economic Conditions

The budget theme for the 2025/26 financial year for the United Republic of Tanzania is 'Inclusive Economic Transformation through Domestic Resource Mobilization and Resilient Strategic Investment for Job Creation and Improved Livelihoods'. This is the fifth budget under Her Excellency the President, Dr. Samia Suluhu Hassan, with the budget estimated at TZS 56.49 trillion[2].

Inflation on a month-on-month basis for the whole of 2025 was stable and controlled within the average target range of 3.0% - 5.0%. Inflation was also contained within the SADC convergence criteria between 3.0% - 7.0% and was significantly lower than the EAC maximum of 8.0%[3].

[2] Ministry of Finance of the United Republic of Tanzania and Parliament of the United Republic of Tanzania.
[3] Bank of Tanzania.

4. NATURE OF OPERATIONS(CONTINUED)

f) Macro and Micro Economic Conditions(Continued)

The country was able to cover 4.9 months of projected imports by the end of December 2025. This above the country benchmark of at least 4 months as well as the EAC criteria of at least 4.5 but slightly lower than the SADC convergence criteria of at least 6 months. Foreign exchange reserves stood at USD 6,329 million[4].

As of December 2025, the largest share of credit to the private sector was divided between Personal Loans (35.8%), trade (15.3%), agriculture (13.2%) and manufacturing (7.2%)[5]. Banks actively used alternative sources of funding during the course of 2025 with a lot engagement on the capital markets as well as multinational institutions.

In terms of corporate bonds, developments that took place were:

i. Azania Bank (Azania) raised TZS 63.3 billion through its inaugural bond issuance, "Bondi Yangu" with an interest rate of 12.5% per annum. The first tranche had a target of TZS 30 billion with TZS 100 billion planned to be raised over five years.
ii. CRDB Bank (CRDB) raised TZS 323 billion from the 'Samia Infrastructure Bond' (which has an 12.0% per annum interest rate), more than twice the target of TZS 150 billion.
iii. CRDB has launched Tanzania's first multi-currency Islamic Bond - Al Barakah with a target of TZS 30 billion (Profit Rate is 12% per annum) and USD 5 million (Profit Rate is 6% per annum) achieving 418% subscription for the TZS tranche and 646% for the USD tranche.
iv. Tanzania Commercial Bank issued a Medium Term Note. The first Tranche (Stawi Bond) raised TZS 140.2 billion, versus a target of TZS 50 billion, with interest of 13.5% per annum.

g) Market Forces

The banking sector in Tanzania is very competitive. The bank is aware of the threat of other banks but also other financial service providers that customers can quickly turn to like mobile money and financial technology firms. A bank may be innovative and may be the first provider of a product or service but other banks will innovate to have that solution. Customers can easily switch to a service provider that suits their needs or that they feel is a better fit for them. This is a reality that all banks are aware of.

[4] Bank of Tanzania.

[5] Bank of Tanzania.

4. NATURE OF OPERATIONS(CONTINUED)

h) The Speed and Effect of Technological Change

Technology use has become very wide spread across Tanzania and is rapidly changing improving how Tanzanians communicate and transact. The country had 41.0 million[6] mobile money users out of a population of 61.7 million[7] in 2022 and this has grown to 76.5 miliion[8] mobile money users by the end of 2025 from a projected population of 67.2 million[9]. By the end of 2025, there were 58.1 million internet subscriptions with an 85.3% penetration rate. Total telecommunications subscriptions penetration stood at 156.9% by the end of 2025[10]. Againct this backdrop, Tanzanians still make atleast 78% of their payments by cash[11].

j) Environmental Challenges

Through its lending activities, the Bank influences economic outcomes across key sectors such as agriculture, trade, education and personal finance, thereby contributing to employment, business growth and household stability. The climate risk profile of borrowers directly affects the Bank's credit risk exposure, making downstream climate risk assessment a critical component of the Bank's risk management framework.

l) Compliance with Laws and Regulations

The bank is compliant with the prevailing laws and regulations that are prevailing in the United Republic if Tanzania and strives to ensure continued compliance with all its regulators. The Bank also engages with key regulatory and oversight bodies including the Bank of Tanzania, the National Board of Accountants and Auditors, the Tanzania Revenue Authority and the Controller and Auditor General which influence sustainability-related practices through prudential, reporting, tax and audit requirements.

5. OBJECTIVES AND STRATEGIES

The Bank has a medium-term strategic plan that covers the period 2024 - 2028. The Bank has five Strategic Objectives (SO's) that guided its operations in the year 2025. These SO's were derived from the Bank's five-year Strategic Plan. These five SO's were:

SO1: Balance sheet transformation; The bank moves to serve the MSMEs and Corporate more while continuing to serve its traditional customers.

SO2: Brand repositioning; The bank plans to improve how its perceived by its customers.

SO3: Digitalization; The bank will use technology more to serve its customers but also improve its own operations and efficiency.

SO4: Risk review; The bank will improve how it manages risk by put in place the appropriate safeguards.

SO5: Human Capital Management; The bank will have a motivated staff compliment with the right skills and knowledge to help the bank reach its aspirations.

[6] Tanzania Communications Regulatory Authority
[7] National Bureau of Statistics
[8] Tanzania Communications Regulatory Authority
[9] World Bank
[10] Tanzania Communications Regulatory Authority
[11] Finscope 2023

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

5. OBJECTIVES AND STRATEGIES

The table below show various outcomes for the bank strategic objectives during the year.

No.	Strategic Objectives	Outcomes
a)	Strategic Objective 1: Balance Sheet Transformation	• Business Loans are 48% of the bank's loan portfolio (December 2024: 39%). • NPL maintained at 3.5% (December 2024: 3.4%) though the loan portfolio grew by 29.5%).
b)	Strategic Objective 2: Brand Repositioning	• The bank relocates and rebranded three branches during the year(Sumbwanga, Tegeta and Ubungo). • Pension Advance Enhancement completed.
c)	Strategic Objective 3: Digitalization	• Partnership with TRC introduce prepaid Card for Standard Gauge Railway ticket. • Postilion Switch upgraded; the bank is moving to in-house VISA card issuance. • The bank overhauled its entire call center solution. • Launched VISA Platinum and VISA Instant Card Issuance.
d)	Strategic Objective 4: Risk Review	• Started automation of Enterprise Risk Management. • Staff trained on Anti-Money Laundering.
e)	Strategic Objective 5: Human Capital Management	• The banks trained 98% of its staff compliment. • The bank has selected and completed initial work for 50 females in Women Mentorship Program that will take place in 2026. • All senior management positions were filled.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

6. STAKEHOLDER RELATIONSHIP

Building and sustaining meaningful relationships with our stakeholders is fundamental to the successful execution of the Bank's strategy and the achievement of its long-term objectives. These relationships support the Bank in operating in a manner that aligns with its core values and commitment to sustainable business practices. Given the Bank's scale and influence within the country, its activities have the potential to affect a wide range of stakeholders. As such, the Bank remains dedicated to conducting its business responsibly, considering both present and future implications of its decisions and actions.

6.1 Shareholders

The Government of the United Republic of Tanzania holds the majority stake in the Bank. All shareholders share a common vision for the Bank to play a meaningful role in advancing the country's socio-economic development. They aim for the Bank to grow into one of the leading and most profitable financial institutions in Tanzania, while also expecting a fair financial return on their investment through cash dividend payments.

6.2 Customers

The Bank operates within a highly competitive market in which customers have a wide range of banking alternatives. To remain successful, it is essential for the Bank to maintain a strong customer-centric approach in order to attract new clients, retain existing ones, and drive growth in revenue and profitability. To better meet customer expectations, the Bank will prioritize becoming more responsive to customer needs by streamlining its processes and improving service delivery to create a more efficient and positive customer experience in the coming financial year.

6.3 Regulators

The Bank's primary regulator is Bank of Tanzania (BoT) which expects Tanzania Commercial Bank to fully comply with laws, regulations and standards regulating the Tanzanian banking sector. Other regulators are the Fair Competition Commission, the Financial Intelligence Unit, Tanzania Communications Regulatory Authority, Tanzania Revenue Authority, Public Procurement Regulatory Authority, and the Tanzania Insurance Regulatory Authority. The main issue is to ensure full compliance and adherence to regulations with proactive regulator engagement.

6.4 Business Partners

Tanzania Commercial Bank's business partners play a vital role in the Bank's operations. The Bank collaborates with numerous partners across various sectors, maintaining relationships grounded in trust and mutual respect. For instance, the Bank's Popote platform is integrated with all major mobile money operators, including Vodacom (MPESA), Mixx (Mixx by Yas), Airtel (Airtel Money), Tanzania Telecommunicatioons Corporation (T-Pesa) and Halottel (Halo Pesa), while also providing electronic and cash float to mobile money agents. Additionally, the Bank handles cash collection services for other banks and facilitates the collection of domestic taxes and license fees on behalf of the Tanzania Revenue Authority. Services such as TRC Prepaid Cards and the DSE App are now accessible through the Popote App. Furthermore, the Bank has upgraded its Postillion Switch and implemented a SACCOS Module, enabling it to deliver more tailored solutions to savings and credit cooperatives.

6. STAKEHOLDER RELATIONSHIP (CONTINUED)

6.5 Employees

Employees anticipate receiving both financial and non-financial recognition for their dedication and contribution to the Bank's growth and profitability. Tanzania Commercial Bank remains committed to attracting, retaining, and developing top talent in the industry. The Bank will continue to leverage its performance management system to inspire and motivate staff, ensuring a clear link between their efforts and rewards, while encouraging them to perform at their highest potential.

The table below shows the Banks key stakeholders in the year 2025, their interests and / or concerns were as well as the value that the bank created for them.

Stakeholder	Their Interests / Concern	Value we Create
Shareholders	• Financial performance of the bank. • Contribution of the bank to the nation's development. • Taking banking services to Tanzanians. • Image of the bank in society.	• TZS 5 billion dividend payment to all shareholders in 2025.
Customers	• Provision of affordable and innovative banking services. • Inviting environment to conduct business. • Quick turnaround time.	• Innovative products and services such as TRC Prepaid Cards. • Improving branch locations such as relocation of Sumbawanga, Tegeta and Ubungo.
Regulators	• Bank to be accountable, responsive and compliant.	• Operate in an enabling banking environment that supports customer growth such as completion of TAUSI integration. • Compliance to existing laws and regulations.
Business Partners	• Mutually beneficial relationships. • Supportive and rresponsive posture.	• Launch of products tied to partnerships such as TRC Prepaid Card with Tanzania Railway Corporation and partnership with Dar-es-Salaam Stock Exchange to allow bank customers to buy and sell shares on their mobile phones.

6. STAKEHOLDER RELATIONSHIP (CONTINUED)

Stakeholder	Their Interests / Concern	Value we Create
Employees	• Compensation and benefits. • Career Progression. • Engagement. • Skill improvement.	• Improvement in benefit program. • Training of 98% staff.

As empowered by the Banking and Financial Institutions Act, 2006, the Bank engages in the provision of innovative and affordable banking services. The Bank serves a diverse range of customers, from corporate institutions to individuals to Small and Medium Enterprises (SMEs), as well as government entities and pensioners.

7. OPERATING AND FINANCIAL REVIEW

a) Statement of profit or loss and other comprehensive income

Profit After Tax

During the year, the Bank reported a pre-tax profit of TZS 47.7 billion, compared to a pre-tax profit of TZS 43.9 billion in 2024. This substantial improvement in performance was primarily driven by higher interest income resulting from a 29.5% growth in the loan portfolio, as well as a 13.6% increase in non-funded income from 2024.

Revenue (Interest and Non-Funded Income)

The Bank's total gross operating income grew by TZS 46.3 billion (20.46%) to TZS 272.7 billion (2024: TZS 226.4 billion). The Bank's interest income contributed 79.7% of the total revenue while the remaining portion generated from commission, fees and various activities performed by the Bank. During the year the non-funded income grow by 13.7% year on year while Interest income grow by 21.5%.

b) Statement of financial position

During the year, the Bank's total assets grew from TZS 1,738.3 billion at the end of 2024 to TZS 2,271.3 billion as at 31 December 2025, reflecting an annual increase of TZS 532.9 billion, equivalent to a growth rate of 30.7%.

The total net loans and advances increased by TZS 335.2 billion from TZS 1,137.0 billion as at 31 December 2024 to TZS 1,472.2 billion at 31 December 2025, representing an annual growth of 29.5%.

Placements with other banks decreased by TZS 14.9 billion (15.6%), government securities increase by TZS 119 billion or 56.9% and cash and balance with Bank of Tanzania increased by TZS 77.9 billion or 35.1%.

The asset growth was supported by customer deposits, which grew by 27.5% from TZS 1,303.4 billion at 31 December 2024 to TZS 1,662.2 billion as at 31 December 2025.

7. OPERATING AND FINANCIAL REVIEW (CONTINUED)

b) Statement of financial position (Continued)

Shareholders' Funds increased from TZS 150.7 billion as at 31 December 2024 to TZS 179.6 billion as at 31 December 2025, an increase of TZS 29.2 billion. The increase of shareholder fund was driven by the profit generated; there was no additional capital injected by shareholders during 2025.

c) Statement of cash flow

During the year, the Bank generated TZS 42.9 billion (2024: TZS 83.5 billion) in its operating activities. The cash used in investing activities was TZS 119.2 billion (2024: TZS 66.8 billion) while cash generated from financing activities was TZS 133.9 billion (2024: TZS 15.5 billion),main driver on the financing activities was cash inflow from issuance of Medium term note "STAWI bond" which generated TZS 140.2 billion while the outflow of TZS 5 billion dividend payout.

d) Budget performance

During the year, the Bank recorded net interest income of TZS 217.2 billion fell short of the budget by 5%. However, strong performance in digital revenue and SME trade finance boosted net fee and commission income by 39% above the target, resulting in a net operating income of TZS 182.1 billion, exceeding the budget by 7%. Below is the table matrix show actual versus target:

Actual versus Budget/target Performance for the year ended 31 December 2025

	Actual	Budget	Variance
	TZS '000	TZS '000	%
Interest and similar income	217,249,308	227,732,201	-5%
Interest and similar expense	(81,387,922)	(98,590,731)	-17%
Net interest income	**135,861,386**	**129,141,470**	5%
Impairment credit on financial instruments	8,677,283	(6,965,852)	-225%
Net interest income after impairment	**144,538,669**	**122,175,618**	18%
Fees and commission income	42,208,500	42,849,314	-1%
Fees and commission expense	(17,977,417)	(25,435,101)	-29%
Net fee and commission income	**24,231,083**	**17,414,213**	39%
Foreign exchange income	9,561,434	11,420,000	-16%
Other income	3,728,134	18,411,666	-80%
Net operating income	**182,059,320**	**169,421,497**	7%
Administrative expenses	(124,798,519)	(101,414,933)	23%
Depreciation and amortization	(9,531,506)	(10,302,630)	-7%
Profit before tax	**47,729,295**	**57,086,481**	-16%
Income tax expense	(12,127,863)	(15,676,916)	-23%
Profit for the year	**35,601,432**	**41,409,565**	-14%

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

7. OPERATING AND FINANCIAL REVIEW (CONTINUED)

e) Non-financial performance

The Bank was able to deliver on a number of key non-financial projects during the course of 2025 as shown below:

- The Bank has rolled out eOffice and eBoard. This is so as to improve efficiency and reduce the impact of paper use.
- The Bank's Postillion Switch has been upgraded to allow the Bank have more seamless customer transactions.
- VISA Instant Issuance and VISA Platinum cards have been introduced to improve the Bank's offerings to its customers.
- The SACCOS Module allows the Bank to offer more tailored solutions to savings and credit cooperatives considering their specific needs.
- The launch of the TRC Prepaid Card in partnership with the Tanzania Railway Corporation provides another medium for customers to pay for Standard Gauge Railway (SGR) tickets.

f) Future Plans

The Bank's Strategic Plan that covers the five (5) year period 2024-2028 is focused on ensuring the Bank delivers more value to its stakeholders. The Bank serves all customers from all walks of life with an inclination towards SME'sThe Medium Term Note issued by the bank forms part of its strategy to expand its presence in the SME sector. A conscious decision has been made by the Bank to appeal to a wider customer base and have a more universal offering on hand. This is seen with the launch of Diaspora Banking and the Premier Banking offering. The Bank plans to continue on this path of making inroads in current and new market segments by adopting and improving current market offerings and bringing new offerings to the market.

While the exact direction, magnitude or impact of future technological growth is hard to predict with total certainty the Banks' has decided to be agile to change and constantly review potential risks so measures can be taken to minimize potential disruptions. Customers are another aspect to this changing dynamic as they are less brand loyal, more technological savvy and with modern hardware and software have greater say in not just when but how they consume financial services. The need for continued engagement and value-creation is increasing on a daily basis and the Bank will be sensitize to emerging trends.

The Bank plans to continue to support key strategic projects in the United Republic of Tanzania such as the Standard Gauge Railway and this falls in line with its ambition of becoming one of the top banks in the country.

The Bank been able to establish a proven business model and a put in place a strategy that paves the way for delivering sustained earnings while maintaining sound financial metrics, alongside ensuring that the Bank operates within an environment that matches its risk appetite.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

7. OPERATING AND FINANCIAL REVIEW (CONTINUED)

g) Capital structure and shareholding of the Bank

i) Capital Structure

	2025 TZS	2024 TZS
Authorized share capital	500,000,000,000	500,000,000,000

ii) Shareholding

The shareholding of the Company as at 31 December 2025 is stated below:

Name	Number of shares held	Value of shares (TZS)	% of holding
Government of the United Republic of Tanzania	66,775,831	66,775,831,000	83.44%
Tanzania Posts Corporation (TPC)	6,090,173	6,090,173,000	7.61%
Revolutionary Government of Zanzibar	2,328,831	2,328,831,000	2.91%
Posta na Simu Savings & Credit Cooperative Society Ltd	2,136,763	2,136,763,000	2.67%
Public Service Social Security Fund (PSSSF)	1,880,671	1,880,671,000	2.35%
Workers' Compensation Fund (WCF)	816,292	816,292,000	1.02%
Total	80,028,561	80,028,561,000	100%

Note: As per Tanzania Commercial Bank PLC, Memorandum and Articles of Association, each share is valued at TZS 1,000.00.

The shareholding of the Company as at 31 December 2024 is stated below:

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Posta na Simu Savings & Credit Cooperative Society Ltd	2,136,763	2,136,763,000	2.67%
Public Service Social Security Fund (PSSSF)	1,880,671	1,880,671,000	2.35%
Workers' Compensation Fund (WCF)	816,292	816,292,000	1.02%
Total	80,028,561	80,028,561,000	100%

Note: As per Tanzania Commercial Bank PLC, Memorandum and Articles of Association, each share is valued at TZS 1,000

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

7. OPERATING AND FINANCIAL REVIEW (CONTINUED)

h) Treasury Statement

The core function of the Treasury is to manage the Bank's balance sheet, liquidity, funding, foreign exchange business and financial risks in a manner that ensures financial stability, regulatory compliance, and sustainable profitability, while supporting the Bank's strategic growth objective. Key responsibilities include proactive capital management to sustain strong capital adequacy ratios and support strategic growth initiatives, management of foreign exchange business to increase non-interest income, effective liquidity management to ensure sufficient funding under varying market conditions and interest rate risk management to mitigate exposure to interest rate fluctuations and protect net interest margins. All Treasury activities are undertaken in full compliance with Bank of Tanzania regulations, ensuring sound risk governance and regulatory compliance. The oversight is exercised through the Asset and Liability Management Committee (ALCO), which meets monthly, while quarterly reports are submitted to the Governance, Recruitment and Remuneration Committee.

The Bank's balance sheet is projected to grow to TZS 3,816 billion by 2028. As part of its balance sheet transformation initiatives, the Bank has successfully listed the Stawi Subordinated Bond in 2025, raising TZS 140.24 billion under the first issuance of its TZS 150 billion Bond Programme. Despite an initial target of TZS 50 billion, the bond achieved a subscription rate of 281%, reflecting strong investor confidence. The issuance provides cost-effective funding to support the Bank's SME lending strategy and strengthens Tier II capital, thereby enhancing overall capital resilience.

i) Liquidity of the Bank

During the year, the Bank maintained a strong liquidity position and remained well positioned to meet customer obligations. The Bank closed the year with a liquidity ratio of 23.81%, significantly above the regulatory minimum of 20%. In addition, both the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remained above regulatory thresholds and internal limits, demonstrating the Bank's robust liquidity and funding risk management framework.

8. RESOURCES

The Bank's main resources fall in four main categories: financial, technology, relationship/social and human capital. These resources help to underpin the Bank's performance.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

8. RESOURCES (CONTINUED)

a) **Financial Resources:** The Bank serves different customer segments and is able to mobilize deposits from them. These segments include individual customers, small and medium enterprises and institutions in both the public and private sector. The funds mobilized support various Bank operations such as lending, domestic and international remittances and, float that mobile money agents use. The Bank has the ability to sufficiently fund all of its operations which allows the Bank to be optimistic about its future prospects. The Bank has taken time to understand its customers and nurture a relationship with them that is centered on trust. Most of the Bank's revenue comes from lending. The Bank has mostly experienced organic growth of it's capital by ploughing back its profits. The Bank has striven to be a prudent steward of its financial resources.

b) **Human Resources:** The Bank had 1,172 employees as at 31 December 2025 with varying skills and knowledge levels. These employees are the sum total of the dedication, loyalty, skills, aptitude, innovation and creativity. The Bank is optimistic through initiatives such as having interns and placements as well as trainings and Women Leadership special program that started in 2025 in which 50 women were selected, the program will kick out in first quarter of 2026. The program will be able to attract and retain staff despite intense competition for employees in the banking sector.

c) **Intellectual Resources:** Intellectual resources comprise the Bank's overall capacity to innovate in providing its products and services. Our intellectual resources include highly talented human capital, leading technological innovations and systems.

d) **Social and Relationship Resources:** The Bank is very sensitive about creating goodwill and making this a cornerstone it can lean on. As the Bank operates ethically, relationships are developed and maintained on the basis of all parties benefiting mutually. The Bank strives to have its different stakeholders such as shareholders, customers and business partners etch in their minds that the Bank enhances the quality of their lives. As these relationships are nurtured, they can result in new business opportunities. The Bank is constantly developing and maintaining these networks while nurturing new relationships and having social impact not just through corporate social responsibility but by offering products and services that drive socio-economic change.

e) **Natural Resources:** The Bank recognizes its responsibility to achieve global climate goals and invests optimally to ensure sustainable change. Internally, the Bank is committed to reducing its carbon footprint by reducing paper usage, using invertors and reducing fossil fuel consumption as part of daily operations.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

8. RESOURCES (CONTINUED)

f) **Technology Resources:** The Bank has always moved in the direction of leveraging technology. These technology advancements ultimately improve both how the Bank is able serve its customers and the product / service offering from the Bank to its customers. Technology allows the Bank to have a truly meaningful impact in a customer's life. The Bank is constantly ensuring appropriate investments are made in technology in order to support the Bank's growth and future prospects. During the course of the year, the Banks' Postillion Switch was upgraded while VISA Instant Issuance and VISA Platinum cards have been introduced. The SACCOS Module is in place while the TRC Prepaid Card was launched and the DSE App. is now on the Popote App. allows the Bank customers to easily trade on the Dar-es-Salaam Stock Exchange while the Nisogeze Loan offering was improved.

9. PRINCIPAL RISK,UNCERTANITIES

The Bank is exposed to a range of risks that may affect the execution of its short- to medium-term strategy, including credit risk, operational risk, compliance risk, information and communication technology (ICT) risk, market risk, liquidity risk, strategic risk, and reputational risk.

Risk Management Principles and Internal Controls

The Board of Directors acknowledges and accepts ultimate responsibility for the establishment, oversight, and ongoing effectiveness of the Bank's risk management and internal control systems. These systems are designed to manage, rather than eliminate, the risks inherent in the Bank's operations and to provide reasonable assurance regarding the achievement of strategic objectives, safeguarding of assets, reliability of financial reporting, and compliance with applicable laws and regulations.

The Board, through its delegated committees, has overseen the identification, assessment, monitoring, and mitigation of the principal risks facing the Bank during the financial year ended 31 December 2025.

The key risk categories and corresponding mitigation measures are summarized below:

Risk	Mitigation Plan
Liquidity Risk	Liquidity risk is managed through a combination of proactive balance sheet management and diversified funding strategies. Key mitigation measures include; • Intensify deposit mobilization initiatives, source corporate deposits from the markets, • Prudent Management of capital expenditure, • Diversified and stable funding sources to fund day to day, • Establish liquidity requirements in different currencies, • Design an appropriate management information system for controlling, monitoring and reporting market risk, • Scenario analysis and stress testing of liquidity risk.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

9. PRINCIPAL RISK,UNCERTANITIES(CONTINUED)

Risk	Mitigation Plan
Credit Risk	Credit risk is managed through a combination of proactive measures. They include; • Continuous monitoring of portfolio quality and growth, • Periodic and proactive review of Securities in Bank's custody, • Aggressive loan recovery strategies, • Optimize returns by adequate pricing strategy, • Limited credit exposure to domestic borrowers operating in foreign markets, • Capacity building and targeted training on credit risk management are provided to relevant staff, complemented by periodic branch inspections, • Scenario analysis and stress testing of Credit Risk on quarterly basis.
Compliance Risk	The Bank maintains a structured compliance framework to ensure adherence to regulatory and statutory requirements. Key initiatives include; • Ongoing Capital Adequacy monitoring, • Continuous regulatory awareness programs, • enhancement of AML/CFT and sanctions screening systems, • Compliance oversight over staff, agents and third-party service providers, • Enforcement of Know-Your-Customer (KYC) remediation programs.
Strategic risk	The following measures are taken to manage strategic risk; • Strategic risk is managed through sound corporate governance practices, clear strategic planning, and periodic performance reviews, • The Board provides oversight through regular review of management reports and ensures that policies, procedures, and operational manuals are aligned with the Bank's strategic objectives and evolving external environment.
Operational Risk	Operational risk arising from people, processes, systems, and external events is mitigated through a comprehensive internal control framework. Key measures taken include; • promotion of whistle blowing culture, • enhancement of ICT infrastructure and backup systems, • periodic review of existing outsourcing arrangements, • strengthening of disaster recovery capabilities, continuous staff training and an effective staff retention plan, • enterprise-wide awareness programmed on business continuity, physical security, and information security.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

9. PRINCIPAL RISK,UNCERTANITIES(CONTINUED)

Management is responsible for designing, implementing, and maintaining adequate internal financial and operational control to provide reasonable assurance regarding:

(i) Ethical and responsible conduct toward stakeholders,
(ii) Safeguarding of assets, including information assets,
(iii) Reliability and integrity of accounting records,
(iv) Efficiency and effectiveness of operations,
(v) Business continuity and sustainability under normal and stressed conditions and,
(vi) Compliance with applicable laws, regulations and supervisory requirements.

The Board continues to prioritize prudent resource allocation to support sustainable growth while effectively managing emerging risks, including market risk, reputational risk, cyber-security risk, mobile money risk, and competitive pressures. Risk mitigation strategies include revenue diversification, cost management, strengthening of capital buffers, strategic partnerships, and investment in technology and staff capacity building.

While internal control systems are periodically reviewed and considered adequate, the Board recognizes that no system can provide absolute assurance against error or fraud. Accordingly, the Bank's internal control framework is designed to provide reasonable assurance. Internal Audit independently reviews the effectiveness of these controls and reports its findings to the Board Audit, Risk Management and Compliance Committee.

The Board assessed the effectiveness of the Bank's risk management and internal control systems throughout the financial year ended 31 December 2025 and is satisfied that they operated effectively and met accepted governance and control standards.

10. ENTITY'S OPERATING MODEL

Operating model
The Bank's primary business is the mobilization of deposits from customers and then using these deposits to offer credit facilities in the form of loans, bank guarantees, insurance premium financing to businesses that operate in various sectors of the Tanzanian economy. The result is the development of the country at a macro-level.

The Bank has varying inputs such as deposits that are mobilized from corporate customers, small and medium enterprises as well as individuals some who are high net-worth and some at the bottom of the pyramid. Another input is technology which includes the Bank's core banking system that allows transactions to be done, the Bank's own mobile banking gateway that connects the Bank to all mobile money operators in Tanzania. Another input that the Bank has is human capital that is deployed in many roles. Human capital prospects for these deposits, Human Capital rationalizes how these mobilized deposits will be deployed and Human Capital resolves customer complaints through the Banks call center.

The transformation process is the process where inputs are applied to offer a solution to a resolve a problem thereby creating something of value that the Bank offers. As there are multiple issues to resolve at a time with varying levels of intensity, the decision-making process tends to be very fast. This could range from having a customer wanting to transfer money from their bank account to their mobile wallet, to having another customer wanting to sell foreign exchange while another customer wants to set-up an automatic loan deduction and another customer wishes to make a withdraw from the Bank's Auto Teller Machine.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

10. ENTITY'S OPERATING MODEL (CONTINUED)

The outputs the bank produces include as loans issued to corporate customers, small and medium enterprises as well as individuals some who are high net-worth and some at the bottom of the pyramid. Another output is rapid access to funds across varying geographies.

As Outcomes are provided, internally the Bank employees are filled with a sense of purpose and satisfaction at being able to provide a much-needed service that resolves a challenge. While this happens, the Banks reputation, earnings as well as the profitability increase which translates to improved tax payments, growth in the balance sheet and an ability to meet obligations. Externally, customers will have peace of mind as well as sense of a reliable partner they can depend on to meet their needs and the third party who was depending on the customer is able to have their needs met whether through a mobile money transfer or remittance.

No.	Objectives	Inputs	Process	Outputs	Outcome
a)	Strategic Objective 1: Balance Sheet Transformation	• Deposits mobilized from customers. • Credit Tool	• Credit review.	• Business Loan	• Customer relief as funds available for business project. • Growth of bank income.
b)	Strategic Objective 2: Brand Repositioning	• Bank Staff. • Building. • Contractor. • Project funds.	• Renovation of building to branch. • Relocation of customers and staff to new branch.	• Customers use branch. • Staff work from new location.	• Customers in a conducive environment. • Staff in an good working environment.
c)	Strategic Objective 3: Digitilization	• Bank staff. • TRC staff. • Bank systems. • TRC systems. • Prepaid cards.	• Agreement on nature of integration.	• TRC Prepaid Card.	• Customers have a safe and easy way to pay for Standard Gauge Railway tickets. • Increase in bank income.
d)	Strategic Objective 4: Risk Review	• Current policies. • Board and Management.	• Policy review.	• BOT notified of proposed changes. • Changes post-BOT approval.	• More robust policy framework in place.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

10. ENTITY'S OPERATING MODEL (CONTINUED)

No.	Objectives	Inputs	Process	Outputs	Outcome
e)	Strategic Objective 5: Human Capital Management	• Staff to be trained. • Trainers. • Training venue and materials.	• Learn. • Unlearn. • Relearn.	• Trained staff.	• Beter staff competency. • Improved service delivery. • Increased productivity.

11. KEY PERFORMANCE

The oversight body closely monitors and approves the implementation of the Bank's Key Performance Indicators (KPIs) in line with its strategic objectives. This review is conducted quarterly through management's meetings review of a performance report, which highlights KPI achievements, identifies potential challenges from both internal and external environments, and outlines any support required to achieve the set targets.

The following Key Performance Indicators (KPIs) are considered by the Directors as effective in measuring the delivery of the Bank's strategy and managing the business:

Performance indicator	Definition and calculation method	2025	2024
Return on equity	Net profit/Total equity	19.8%	21.0%
Return on assets	Net profit/Total assets	1.6%	1.8%
Non-Interest Expenses to gross income	Non-Interest Expenses/Gross Income	49.3%	55.0%
Interest margin on earning assets	Total interest income/Interest earning assets	11.7%	12.4%
Non-interest income to Gross income	Non-interest income/Total income	20.3%	21.0%
Gross loans to customers' deposits	Total gross loans/Total deposits from customers	91.7%	90.4%
Non-performing loans to gross loans	Non-performing loans/Gross loans and advances	3.5%	3.4%
Earning assets to total assets	Earning assets/Total assets	82.1%	79.4%
Growth on total assets	Increase in assets for the year/Opening balance of total assets	30.7%	25.1%
Growth on loans and advances	Increase in net loans and advances/Opening balance of loans and advances	29.5%	24.8%
Growth on customer deposits	Increase in customer deposits/Opening balance of customer deposits	27.5%	16.3%

THE REPORT BY THOSE CHARGED WITH GOVERNANCE(CONTINUED)

12. CORPORATE GOVERNANCE

12.1 Corporate Governance statement

The Board of Directors (the "Board") is responsible for the governance of the Bank and is committed to ensure that its business and operations are conducted with integrity and in compliance with the laws of the United Republic of Tanzania. The Board observes sound corporate governance principles and business ethics in managing the Bank. In this regard, the Board oversees that the Bank complies with all relevant legislation including the provisions of the Banking and Financial Institutions Act, 2006 and the prudential guidelines issued by the Bank of Tanzania.

The Board has three committees namely: The Audit, Risk Management and Compliance Committee; and the Board Credit Committee, and the Governance, Recruitment and Remuneration Committee. These three Board committees discharge their functions as vested onto each one of them under their respective charters. Each of the Committees is required to meet at least once quarterly.
The Board delegates the day-to-day management of the Bank business to Chief Executive Officer who is assisted by Senior Management. Senior Management are invited to attend Board Meetings and facilitates the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units.

The Bank attaches great importance to sound corporate governance practice because it ensures integrity and transparency in managing the relationship that exists between the Bank and all its stakeholders. It is in that vein that the Bank ensures that it is incompliance with the requirements of various legislations which govern its operations including the Companies Act, Cap 212 of 2002, the Banking and Financial Institutions Act, 2006, the Public Corporations Act, 1992, the Public Procurement Act, 2011, the Public Finance Act, 2001, [CAP.348, R.E. 2020] and the Prudential Regulations and Guidelines, Circulars and Rules issued by the Bank of Tanzania. Members of the Management team also participate in various industry initiatives and affairs through the Tanzania Bankers Association and the Tanzania Institute of Bankers.

12.2 The Board of Directors

The Board of Directors retains full and effective control of the Bank and monitors executive management. The Board is also responsible for the Bank's direction, policies and strategies and all investment and divestment decisions. It also ensures that the Bank meets its responsibilities to all its stakeholders and is prudently managed against the major risks inherent in general business dynamics. In this respect, the Board makes key decisions to ensure that it retains proper direction and control of the Bank. The Directors bring in experience and expertise from their own fields of business to ensure that debate on matters of strategy, policy and performance is robust, informed and constructive. Furthermore, the role of the Chairman and the Chief Executive Officer are not vested in one person. The Bank has in place a charter for the Board of Directors and charters for the Board Committees.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.2 The Board of Directors (continued)

The charters provide and guide Members of the Board and/or Board committees of the roles, duties and responsibilities of the Board of Directors or committees, the rights and liabilities of members and also provide for procedural matters, relating to the functions of the Board of Directors or the Board Committees.

The Board of Directors during its quarterly meetings received the quarterly reports from the three Board Committees and deliberated them. The Board of Directors also approved the Bank's Annual Business Plan 2025, Budget 2025 as well as the Annual Procurement Plan for 2025 as well as approved the Budget review for 2025.

The Board structure is such that no one individual or group dominates the decision making process. There is a schedule of matters reserved for the full Board's approval and clear delegation of authority to Committees of the Board and Management. A procedure exists for the determination of matters arising between scheduled meetings. There are established procedures in existence for planning and capital expenditure, for banking operations and lending activities, for management of investments, for information reporting systems and for monitoring the Bank's business and performance generally.

The Chairman and the Chief Executive Officer in consultation with the Company Secretary agree on the agenda for Board meetings, but all Board members are entitled to raise other matters. The Chairman ensures that all Board members are properly briefed on all issues transacted through Board Committees. It is the responsibility of the executive management to ensure that the Board is supplied with information in a timely manner in a form and of a quality appropriate to enable it carry out effectively its duties.

The Board which comprises six non-executive Directors is confident that its members have the knowledge, talent and experience to lead the Bank. The Board of Directors are independent of management and exercise their independent judgment with in depth knowledge and experience. During the year, none of the Directors were found to have acted on any matter on which he had conflict of interest.

12.3 Composition of the Board of Directors

The Chairman of the Board of Directors is appointed by the President of United Republic of Tanzania while other Board Members are appointed by the respective shareholders. The current composition of the Board of Directors is as per Tanzania Commercial Bank Public Limited Company Memorandum and Articles of Associations are as follows:

(i) The Government of United Republic of Tanzani -The President of the United Republic of Tanzania appoints the Chairman of the Board of Directors, and the Minister for Finance and Planning appoints the two Board Members.

(ii) Tanzania Posts Corporation - One Board Member.

(iii) Revolutionary Government of Zanzibar - One Board Member.

(iv) Posta na Simu Savings & Credit Cooperative Society Ltd - One Board Member.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.3 Composition of the Board of Directors(Continued)

(v) Public Service Social Security Fund - One Board Member.

(vi) Workers Compensations Fund - One Board Member. The tenure of Board Members is three years per term, and they are eligible for reappointment for three terms.

During the year, shareholders of the Bank held their 13th extraordinary general meeting on 1st March, 2025 where the proposed composition of the Bank's Board of Directors to have ten (10) members having nine (9) seats of non-executive directors and one (1) seat of executive director was approved. The meeting also resolved that the minority shareholders shall have one member representing them for a rotational tenure of three years. The approved new composition is as shown below;

i. The Government of United Republic of Tanzania will have 4 representatives including the Chairman;
ii. The Revolutionary Government of Zanzibar will have 1 seat as a special shareholder;
iii. Tanzania Posts Corporation - will have 1 seat as a shareholder with 7.61% which is close to 10%;
iv. The remaining minorities: POSTA NA SIMU SACCOS, PSSSF and WCF- will have 1 seat;
v. To appoint 2 independent directors to be sourced competitively from the market; and
vi. One executive director (Chief Executive Director) with no voting right(Executive Director) with no voting right

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.3 COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Bank who held office for the year 2025 and to the date of this report unless otherwise stated are:

S/N	Name	Position	Status	Age	Gender	Qualification	Nationality	Remarks
1.	Mr. Martin E. Kilimba	Chairman of the Board from 15th May, 2024	NED	65	Male	Masters of Science in Finance, Advanced Diploma in Economic Planning.	Tanzanian	Appointed on 15th May, 2024 to 14th May, 2027
2.	Ms. Sylvia Shelukindo	Member-BCC	NED	49	Female	Masters with finance specialization with distinction	Tanzanian	Appointed on 10th July,2025 to 9th July,2028
3.	Mr. Laibu L. Ngulo	Chairman-BCC	NED	51	Male	Master of Business Administration, CPA (T), Bachelor's Degree in Commerce.	Tanzanian	Appointed on 10th January, 2024 to 9th January, 2027
4.	Dr. Allan Issack Shimba	Chairman - GRRC and Member BCC	NED	57	Male	Doctor of Philosophy (Ph.D.) Business Administration, Master of Business Administration, B.Com Marketing.	Tanzanian	Appointed on 17th January, 2025 to 16th January, 2028.
5.	Mr. Goodluck Lukumay	Chairman - ARCC	INED	45	Male	Master of Science in Finance (CPA) T, Post graduate in Project Planning, Appraisal and Financing, Bachelor of Commerce in Accounting	Tanzanian	Appointed on 1st January,2025 to 31st December,2027
6.	Mr. Jerry Sabi	Member -GRCC	NED	63	Male	MBA Finance and Banking, CPA.T,NAD	Tanzanian	Appointed on 10th July,2025 to 9th July,2027
7.	Ms. Imelda Lutebinga	Member- ARCC	INED	43	Female	MBA in Corporate Management, Bachelor of Science in food Science & Technology, Executive Diploma in Strategic Leadership	Tanzanian	Appointed on 1st January,2025 to 31st December,2028
8.	Mr. Macrice Mbodo	Member of ARRC	NED	42	Male	MBA in Corporate Management, Masters of National Security Strategic Studies, Advanced Diploma in Accounting, (CPA)T, (CPSP.T)	Tanzanian	Reappointed 4th October, 2024 to 31st December, 2028,Resigned in November 2025.
9.	Mr. Aboud H. Mwinyi	Member of GRRC	NED	48	Male	Master of Science (MSc) degree in the field of Social Protection Financing.	Tanzanian	Appointed on 23rd June, 2023 to 22nd June, 2026
10.	Mr. Adam C. Mihayo	Executive Member	ED	43	Male	Bachelor of Commerce in Corporate Finance	Tanzanian	Appointed on 1st March, 2024

*BCC - Board Credit Committee, ARCC - Audit, Risk Management and Compliance Committee and GRRC - Governance, Recruitment and Remuneration Committee. The Company Secretary during the year was Mr. Dotto Marco Kahabi LLB (Hons), Advocate, BSC.

**NED-Non-Executive Director, *INED-Independent Non-Executive Director, *ED-Executive Director

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.4 Board Committees

To enable it to discharge its executive functions, the Board has established three standing committees, each governed by written terms of reference, defining the frequency of meetings, power and duties and reporting obligation. These committees continuously evaluated progress towards meeting the Bank's overall objectives in addition to ensuring efficient and effective management of the entire Bank's core functions. The Chairperson of the Committees chair the Committees meetings.

The board committees are: -

(i) The Audit, Risk Management and Compliance Committee;
(ii) The Board Credit Committee; and
(iii) The Governance, Recruitment and Remuneration Committee.

12.4.1 The Audit, Risk Management and Compliance Committee (ARCC)

The Audit, Risk Management and Compliance Committee is chaired by the Chairperson of the Committee and consists of two other Board members.

The Chief Executive Officer, Director of Internal Audit, Director of Risk Management and Compliance and management in attendance. The committee meets at least once quarterly to evaluate, among others accounting practices, internal control systems and auditing and financial reporting. Its task includes evaluating critical risk areas identified with the help of the internal auditors.

The committee operates under a formal charter approved by the Board of Directors and committee members have unlimited access to all information. Certain members of management are invited to attend and give feedback at Committee meetings. The Committee also negotiates with external auditors' remuneration. The Committee also holds separate meetings with the head of internal audit department and the external auditors when required to ensure matters are considered without undue influence. The Company Secretary provides secretariat services to the Committee.

12.4.2 The Board Credit Committee (BCC)

The Board Credit Committee is chaired by the Chairperson of the Committee and consists of two other Board Members. The Chief Executive Officer and other senior management members are in attendance. The committee meets at least once quarterly to receive and discuss quarterly performance reports and matters relating to credit facilities that are notified to Board noting.

The Committee operates under a formal charter approved by the Board of Directors and committee members have unlimited access to all information. Members of senior management are invited to attend and present quarterly performance reports and give feedback at committee meetings. The Committee also reviews credit performance of the Bank, non-performing loans management as well credit risk management. The Company Secretary provides secretariat services to the Committee.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.4 Board Committees(continued)

12.4.3 The Governance, Recruitment and Remuneration Committee (GRRC)

The Governance, Recruitment and Remuneration Committee is chaired by the Chairperson of the Committee and consists of two other Board Members. The Chief Executive Officer and other senior management members are in attendance. The committee meets at least once quarterly to receive and discuss quarterly performance reports and matters relating to Strategy, Financial and Business Performance as well as Human Resource Management.

The Committee operates under a formal charter approved by the Board of Directors and committee members have unlimited access to all information. Members of senior management are invited to attend and present quarterly performance reports and give feedback at committee meetings. The Committee also handles recruitment process for senior management positions and recommends to the Board of Directors appointments and remuneration of senior Management staff. The Committee also is responsible for disciplining senior management members. The Company Secretary provides secretariat services to the Committee.

12.5 Board Meetings

There were eight (08) Board meetings including extraordinary meetings as follow: seven (07) ARCC meetings, twelve (12) GRRC and thirteen (13) BCC meetings conducted during the year and were attended by the Board of Directors as follows:

No.	NAME OF DIRECTORS	BOARD MEETINGS	ARCC	GRRC	BCC
1.	Mr. Martin E. Kilimba	8	-	-	-
2.	Mr. Laibu L. Ngulo	8	-	5	12
3.	Dr. Allan Issack Shimba	8	-	9	13
4.	Mr. Goodluck Lukumay	7	5	-	-
5.	Mr. Jerry Sabi	3	-	-	13
6.	Mr. Macrice Mbodo	5	5	-	-
7.	Ms. Sylvia Shelukindo	4			4
8.	Ms. Imelda Lutebinga	8	4		
9.	Mr. Aboud H. Mwinyi	8	-	9	-
10.	Mr. Adam C. Mihayo	8	-	-	-

The Board of Directors meets on a quarterly basis. Four meetings were ordinary and the other four were special due to special matters requiring immediate attention. The ARCC had three ordinary meetings and three special meetings due to audit matters all members attended all meetings. GRRC had four ordinary meetings and five special meetings due to special matters requiring immediate attention, but not every member attended all meetings. The BCC had four ordinary meetings and nine special meetings due to presence of urgent credit requests from customers.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.6 Board Evaluation

The Board recognizes that self-evaluation is a best practice benchmark of assessing the levels of performance of the Board. On an ongoing basis, the Board carries out self-evaluation of its performance. The review seeks to identify specific areas in need of improvement or strengthening and the result on any actions to be taken are discussed by the full Board. In a similar way, Directors also do conduct self-evaluation of their performance as members of the Board.

12.7 Directors' Compensation

The disclosure of Directors' fees and remunerations are made in the financial statements (Refer to note 40 (c). Directors' fees or any amendments are approved by shareholders at the Annual General Meeting and cleared by the Minister for Finance and Planning.

12.8 Company Secretary

The Company Secretary as at 31st December 2025 was Mr Dotto Marco Kahabi and he provides support and guidance to the Board in matters relating to governance and ethical practices. The Company Secretary plays a key role in ensuring good governance by helping the Board and its committees to function effectively and in accordance with terms of references and best practices.

(i) He is also responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles.

(ii) The Company Secretary plays a key role in ensuring good governance by helping the Board and its committees to function effectively and in accordance with terms of references and best practices.

(iii) The Company Secretary is responsible for:

- Maintaining strong and consistent governance practices at Board level and throughout the Bank.
- Supporting the Board Chairman in ensuring effective functioning of the Board and its committees, and transparent engagement between senior management and the Board.
- Facilitating induction and professional development of Board members.
- Advising and supporting the Board and management in ensuring effective end-to-end governance and decision making across the Bank.

(iv) Providing support and guidance to the Board in matters relating to governance and ethical practices

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.9 Management of the Bank

Management of the Bank is under the Chief Executive Officer and is organized into the following Directorates:

1. Finance;
2. Operation and Information Communication Technology;
3. Credit Administration;
4. Marketing and Public Relations;
5. Risk Management and Compliance;
6. Human Resources;
7. Internal Audit;
8. Treasury;
9. Retail & Business Banking;
10. Corporate Banking; and
11. Legal Services and Company Secretary.

Key management personnel of the Bank are listed below:

Adam C. Mihayo	Chief Executive Officer
Andrew T. Mlingi	Chief Financial Officer
Andrew Sandewa	Director of Internal Audit
Jema A. Msuya	Chief Operating Officer
Lilian K. Mtali	Director of Retail & Business Banking
Zahoro Kaguo	Director of Human Resources & Administration
Masala N. Korosso	Director of Risk Management & Compliance
Alex Dwashi	Director of Marketing & Public Relations
Dotto Kahabi	Director of Legal Service & Company Secretary
Daniel F. Mbotto	Director of Credit
Richard Mtapa	Director of Corporate Banking
Erick Chijoriga	Director of Treasury

12.10 Internal Audit

Internal audit is an independent and objective directorate within the Bank that provides assurance and advisory services aimed at enhancing the effectiveness of operations and strengthening overall governance. It plays a critical role in supporting the Bank in achieving its strategic and operational objectives by applying a structured, systematic, and disciplined methodology. Through its activities, internal audit assesses the adequacy and effectiveness of risk management practices, internal controls, and governance frameworks, identifying weaknesses, recommending improvements, and promoting accountability and transparency across the organization.

Internal audit plans cover matters identified in risk management assessments as well as issues highlighted by the Board, the Audit, Risk Management and Compliance Committee and senior management.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.11 Internal Audit (Continued)

The Internal Audit directorate administratively reports to the Chief Executive Officer on day-to-day matters but reports directly to the Chairman of the Audit Committee on operational matters and on a regular basis. The purpose, authority and responsibility of the independent internal audit activities are formally defined in an Internal Audit Charter which is updated regularly and approved by the Audit Committee. Significant audit findings are reported to the Audit Committee. All significant business operations are subject to internal audit.

12.12 Internal communication and labor relations

Members of staff at all levels are kept fully informed of developments within the Bank In order to ensure two-way communication so the workforce understands and supports the business philosophy and ethics of the Bank. It is critical for the whole organization to work towards a common goal. A range of communication mechanisms are used that include newsletters, e-mail alerts, the Bank's website, circulars as well as regular discussions at different management levels.

12.13 Environment and social management policy

As a good corporate citizen, the Bank has continued to support and participate in environmental and social activities through employees' physical participation in such activities and/or financial donations. This is in recognition by the Bank that environmental management is the responsibility of all public and private institutions. During the year Bank donated to various sector including education and health.

There are checks and balances in place to support these transactions as well as reviews to ensure integrity of the process and the systems that support the process. These decisions are guided by the Bank's policies and procedures while automation ensures that the process is rapid and seamless.

As outcomes are provided, internally the Bank employees are filled with a sense of purpose and satisfaction at being able to provide a much-needed service that resolves a challenge. While this happens, the Banks reputation, earnings as well as the profitability increase which translates to improved tax payments, growth in the balance sheet and an ability to meet obligations. Externally, customers will have peace of mind as well as sense of a reliable partner they can depend on to meet their needs and the third party who was depending on the customer is able to have their needs met whether through a mobile money transfer or remittance.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.14 Accounting policies

The Bank prepares its annual financial statements on a going concern basis. Its accounting policies are reviewed annually to ensure alignment with IFRS Accounting Standards issued by the International Accounting Standards Board and compliance with the Companies Act, 2002.In addition, the Bank has a Credit Policy that governs how credit management is approached, Financial Regulations that deals with methodology the Bank has employed to manage its financial resources as well as an Asset Management Policy that governs how the Bank manages its balance sheet. All these policies are approved by the Board and are fully implemented. Their periodic reviews consider changes arising from regulatory developments and the operating environment to ensure they remain current and effective. During the year, the Bank developed sustainability Management policy which was fully implemented awaiting board approval.

12.15 Statement of compliance for IFRS S1 & S2 reporting requirements

The Bank is committed integrating sustainability into its strategy, governance, risk management, and reporting processes. During the year under review, the Bank adopted the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) issued by the International Sustainability Standards Board and aligned its sustainability reporting practices with pronouncements and guidance issued by the National Board of Accountants and Auditors.

Sustainability considerations are embedded within the Bank's enterprise risk management framework, including climate-related and environmental risks, social responsibility, and governance practices. The Bank conducted targeted capacity-building programmes for Board members and senior management on sustainability and climate-related financial disclosures to support effective oversight and implementation.

Operational initiatives undertaken during the year include progressive digitization through adoption of e-office solutions to reduce paper usage, piloting of clean energy solutions such as inverters at selected branches to reduce reliance on fossil-fuel generators, and enhanced resource-efficiency measures across operations. These initiatives support the Bank's commitment to long-term value creation, environmental stewardship, and alignment with national and international sustainability expectations

For the financial year ended 31 December 2025, the Bank has adopted the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) and applied the principles on a proportionate and phased basis, consistent with NBAA guidance. Governance, strategy, and risk management disclosures are fully integrated within the Bank's enterprise risk management and control framework, while quantitative metrics and climate-specific measurements continue to be enhanced as part of the Bank's ongoing sustainability implementation roadmap.

The Bank has prepared its Sustainability Report for the year ended 31 December 2025 in full compliance with the Tanzania Financial Reporting Standard (TFRS) Sustainability Disclosure Standards, which incorporate IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 - Climate-related Disclosures, as adopted and issued by the National Board of Accountants and Auditors (NBAA). Management confirms that the disclosures contained therein comply with all applicable requirements of TFRS S1 and TFRS S2. The Sustainability Report is issued as a standalone report and should be read together with the Annual Financial Statements

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12 CORPORATE GOVERNANCE(CONTINUED)

12.16 Dividend

During the year, the Board approved the payment of a cash dividend amounting to TZS 5.0 billion, representing 16% of the profit for the year 2024. The Board further resolved that the remaining 84% of the profit be retained within the Bank in order to strengthen and improve the Bank's capital position. This approach reflects a prudent capital management strategy, particularly in light of the need to support future growth and enhance financial resilience. In comparison, no dividend was declared or paid in the prior year (2024: Nil).

12.17 Critical accounting policies and judgements

The Bank's results are sensitive to the accounting policies, assumptions, and estimates applied in the preparation of the financial statements. In accordance with the Companies Act, 2002, the Directors are responsible for selecting appropriate accounting policies and for exercising reasonable and prudent judgment in making estimates and assumptions. Certain accounting policies are considered critical to the Bank's results and financial position due to the materiality of the related balances and the significant level of judgment and estimation involved. These critical accounting policies and judgments, including key assumptions and estimates, are disclosed in Note 4 to this report.

12.18 Related party transactions

Balances due to and from as well as transactions with related parties have been adequately disclosed in the financial statements. The Company had balances with the following related parties as at 31 December 2025 (Note 40).

12.19 Employees' welfare

a) Staff training

During the year, the Bank spent a sum of TZS 1,290,414,000 (2024: TZS 1,527,048,000) for staff training in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels, all employees' have some form of annual training to upgrade skills and enhance development.

b) Medical Assistance

The Board of Directors has guaranteed that all members of staff are availed with medical insurance. This is for all members of staff, their spouse and a maximum number of four dependents who are below the age of 18 or 21 if they are still in school. Currently, these services are provided by National Health Insurance Fund which are accessible across the entire country.

12 CORPORATE GOVERNANCE(CONTINUED)

12.19 Employees' welfare (Continued)

c) Health and Safety

The Bank places a strong emphasis on health and safety, with the objective of maintaining a robust safety culture across all operations. Management is committed to ensuring that the workplace remains safe, healthy, and secure for all employees, contractors, and other stakeholders. This is achieved through the implementation of comprehensive health and safety policies and procedures, regular risk assessments, and continuous monitoring of workplace conditions.

To support this commitment, the Bank provides appropriate and adequate personal protective equipment and ensures it is properly used where required. Employees and contractors receive relevant health and safety training to enhance awareness, competence, and compliance with established safety standards.

d) Financial Assistance to Staff

Bank provides various loans to employees in accordance with Bank' Staff Loans Policy and Staff Regulations. These loans include Personal Loans, Mortgages, Motor Vehicle Loans, Motor Vehicle Insurance Loans as well as House Rent Loans.

e) Employees Benefit Plan

The Bank makes mandatory contributions to the Public Service Social Security Fund which qualify to be a defined contribution plan. The number of employees at the end of the year was 1,172(2024: 1,117). All staff are members of the Public Service Social Security Fund that caters for all state employees.

12.20 Gender parity

The Bank is an equal opportunity gender employer. It embraces diversity and inclusion by bringing together experiences and perspectives arising from different cultures, religions, heritage, age, gender, and other characteristics. Employee distribution by gender as 31st December 2025 and 2024 respectively:

Gender	2025	Percentage (%)	2024	Percentage (%)
Female staff	603	52	577	52
Male staff	569	48	540	48
Total staff	**1,172**	**100**	**1,117**	**100**

12.21 Corporate social responsibility

The Bank recognizes that it operates within a broader society and strives to make a positive and lasting impact. Accordingly, during the year, donations amounting to TZS 388,845,350 (2024: TZS 1,042,543,188) were contributed to various charitable organizations. The Bank's main areas of support included education, health, social welfare, sports, and government relations. No political contributions were made during the year (2024: Nil).

THE REPORT BY THOSE CHARGED WITH GOVERNANCE

13. SOLVENCY AND GOING CONCERN

The Board of Directors affirms that the financial statements have been prepared in full compliance with the relevant and applicable accounting standards and regulatory requirements. In addition, the Board confirms that the financial statements have been presented on a going concern basis, reflecting the expectation that the bank will continue its operations in the normal course of business.

Furthermore, after careful assessment of the bank's financial position, performance, liquidity, and future prospects, the Board has concluded that the bank has sufficient financial and operational resources to sustain its activities and meet its obligations as they fall due. Accordingly, the Board reasonably believes that the bank will remain viable and continue operating for the foreseeable future without significant threat to its continuity.

14. PEOPLE WITH DISABILITY

The Bank is committed to fair employment practices and considers applicants with disabilities based on their abilities and suitability for the role. Where an employee becomes disabled, appropriate support and training are provided to enable the continuation of employment. The Bank ensures that training, career development, and promotion opportunities for employees with disabilities are applied on an equal and fair basis as for all other staff. As at 31 December 2025, the Bank employed two (2) persons with disabilities.

15. SUSTANABILITY REPORT AND DISCLOSURE

15.1 Basis of Preparation

15.1.1 Statement of Compliance

These sustainability-related financial disclosures have been prepared in accordance with IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, issued by the International Sustainability Standards Board (ISSB). These disclosures also comply with the Bank of Tanzania Guidelines on Reporting of Sustainability-Related Risks and Opportunities for Banks and Financial Institutions (2025).

15.1.2 Connectivity with Financial Statements

These disclosures are presented alongside the Bank's annual financial statements for the year ended 31 December 2025. The sustainability disclosures cover the same reporting entity and reporting period as the financial statements. All monetary amounts are presented in Tanzanian Shillings (TZS) unless otherwise stated.

For the purposes of these disclosures, the Bank assesses sustainability-related risks and opportunities over the following time horizons:

- Short term: 0-1 year
- Medium term: 1-5 years
- Long term: more than 5 years

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.1 Basis of Preparation (Continued)

15.1.3 First-Time Adoption and Transition Reliefs

This is the Bank's first sustainability disclosure prepared in accordance with IFRS Sustainability Disclosure Standards. The Bank has applied the following transition reliefs:

- **Relief from comparative information (IFRS S1.E3, IFRS S2.C3):** The Bank has not provided comparative information for the prior period. This reflects the practical challenges of retrospectively compiling sustainability data for periods before the Bank established its sustainability data collection infrastructure. Comparative information will be provided from the 2026 reporting period onwards.

  From the 2026 reporting period onwards, the Bank will provide comparative information (both qualitative and quantitative) for all material sustainability-related disclosures.

- **Relief to disclose only climate-related information (IFRS S1.E5):** The Bank has applied the relief to disclose information on only climate-related risks and opportunities in accordance with IFRS S2. As a result, this report includes disclosures on climate-related matters (Note 15.8) but does not include separate disclosures on social-related risks and opportunities or governance-related risks and opportunities beyond those required for climate. The Bank intends to provide comprehensive disclosures on all material sustainability-related risks and opportunities from the 2026 reporting period onwards.

- **Relief from Scope 3 GHG emissions (IFRS S2.C4(b)):** The Bank has applied the one-year relief from disclosing Scope 3 greenhouse gas emissions, including financed emissions (Category 15). The Bank is currently developing the data collection infrastructure and methodologies required for Scope 3 reporting, including alignment with the Partnership for Carbon Accounting Financials (PCAF) Global Standard. Full Scope 3 disclosure is planned for the 2026 reporting period.

These sustainability-related financial disclosures are presented in a separate section of the annual report and are clearly distinguishable from the Bank's financial statements and other narrative information.

15.2 Value Chain

15.2.1 Footprint and delivery channels

TCB operates exclusively within Tanzania through a national network of branches, ATMs, agents and digital channels. Its distribution network includes:

- A head office in Dar es Salaam.
- More than 80 branches across all regions of Tanzania.
- An owned ATM network supplemented by access to the Umoja Switch and partner banks' ATMs.
- Over 6,000 agents providing basic banking services in rural and peri-urban communities.
- The TCB Popote mobile banking platform, integrated with all major mobile money operators (M-PESA, Tigo Pesa, Airtel Money, T-Pesa, Halo Pesa and Ezy Pesa).

This infrastructure supports the Bank's financial inclusion mandate and underpins its exposure to geographically diversified, but Tanzania-focused, climate and sustainability-related risks.

15.2 Value Chain (Continued)

15.2.2 Loan portfolio profile.

As at 31 December 2025, the Bank's total loan portfolio amounted to approximately TZS 1.52 trillion. The portfolio is diversified by geography and sector, with a strategic emphasis on retail lending. For further details on loans and advances to customers, refer to Note 23(a) of the financial statements.

Sector composition

The portfolio is dominated by the personal segment, alongside material exposures to trade, transport and communication, building and construction and manufacturing. These sectors form the Bank's largest exposures by gross amount and are central to understanding its climate-related risk profile.

Sectoral composition of the loan portfolio

Sector	Exposure (TZS Billion)	% of Portfolio	NPL ratio (%)
Personal	755.9	49.6	2.22
Trade	209.8	13.8	4.94
Transport & Communication	103.7	6.8	12.60
Building & Construction	74.2	4.9	8.72
Manufacturing	65.5	4.3	0.17
Others (Agriculture, Mortgage, Financial intermediaries, other services etc.)	315.7	20.7	13

Although direct lending to the agriculture sector is relatively modest in the Bank's current sector breakdown, management recognises that a significant proportion of borrowers in the Personal and Trade segments derive income from climate-sensitive activities such as smallholder farming, fishing and informal trade linked to agricultural value chains. This indirect exposure means that the Bank's overall sensitivity to physical climate risks is higher than indicated by stand-alone agricultural balances and is explicitly considered in the Bank's climaae scenario analysis, stress testing and portfolio monitoring.

For the purposes of climate risk management, the Bank has identified the following sectors as having elevated climate sensitivity:

- **Agriculture** - primarily exposed to physical risks, including droughts, floods and changing rainfall patterns.
- **Building and construction** - exposed mainly to transition risks associated with evolving building regulations, energy efficiency standards and resilient infrastructure requirements.
- **Manufacturing** - exposed to transition risks from energy price volatility and potential future carbon-pricing mechanisms.

15.2 Value Chain (Continued)

15.2.2 Loan portfolio profile (Continued)

Sector composition (Continued)

- **Transport and communication** - exposed to both physical risks (impact on transport infrastructure) and transition risks related to fuel costs, electrification and potential regulation of transport emissions.
- **Mining and quarrying** - exposed to transition risks and potential stranded-asset risk if carbon-intensive activities become less viable under low-carbon transition pathways.

15.2.3 Regional composition

Lending is concentrated in Dar es Salaam and several key regional centres. This geographic profile is relevant for physical climate risk because exposure to coastal and flood-prone areas can influence credit quality and collateral values.

Regional composition of the loan portfolio[1]

Region	Exposure (TZS bn)	NPL amount (TZS bn)	NPL ratio (%)
Dar es Salaam	646.2	25.5	3.95
Mwanza	125.6	9.0	7.14
Simiyu	9.5	0.8	8.54
Njombe	16.3	0.7	4.35

[1] *Figures are based on internal NPL reporting as at 31 December 2025 and have been rounded for illustrative purposes. For further information on loans and credit quality, refer to Note 23(a) and related credit risk disclosures in the financial statements.*

Dar es Salaam, as the commercial hub and a coastal city, is particularly relevant for coastal flooding and sea-level rise risk. Regions such as Mwanza, Simiyu and Njombe include significant agricultural and trade activity and exhibit elevated NPL ratios, highlighting the sensitivity of credit quality to climate-related shocks in certain parts of the portfolio. These geographic patterns are considered in the Bank's climate risk assessment and scenario analysis, as discussed in Note 15.8.

Climate-related targets applicable to the Bank's own operations and lending activities are summarized in Note 15.14.2 (Climate targets). These include objectives to grow green and climate-aligned assets, reduce non-renewable energy consumption in operations, progressively decarbonize carbon-intensive exposures and work towards a longer-term commitment to carbon-neutral operations.

15.2.4 Value Chain Description

TCB's value chain comprises activities and relationships upstream, within its own operations, and downstream with customers, communities and regulators. Understanding these links is important for identifying where climate related risks and opportunities may arise beyond the Bank's direct control.

At the upstream level, the Bank depends on suppliers and partners who provide essential inputs for its operations:

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.2 Value Chain (Continued)

15.2.4 Value Chain Description(Continued)

Upstream value chain - key suppliers and partners

Category	Description	Geographic Location
Upstream		
IT Systems & Software	Core banking systems, mobile banking platforms, cybersecurity solutions.	Tanzania, India, South Africa
Office Infrastructure & Equipment	Branch fit-out, furniture, office equipment.	Tanzania
Utilities	Electricity (TANESCO), water, telecommunications.	Tanzania
Professional Services	Legal, audit, consulting, training (including sustainability advisory).	Tanzania, Kenya
Transport & Logistics	Staff transport, cash-in-transit, courier/document logistics.	Tanzania
Correspondent Banks	Cross-border payments and trade finance.	Global
Insurance partner	Bancassurance products and risk transfer.	Tanzania

These upstream relationships are essential to maintaining operational continuity, technological capability and service quality. Climate-related disruptions affecting these suppliers for example power outages, transport interruptions or technological supply-chain issues could impact the Bank's operations such as;

- Disrupting branch, ATM and digital services.
- Increasing operating costs (e.g. alternative logistics, backup power); and
- Delaying the implementation of systems and controls.

Management actions to mitigate these dependencies include diversification of key vendors where feasible, business continuity arrangements with critical suppliers, investment in backup power and ICT disaster-recovery capabilities and ongoing monitoring of utility and network reliability.

Own operations - branches, ATMs and internal processes

Category	Description	Geographic Presence
Head office and branches	Network of branches and head office premises	Nationwide (Mainland & Zanzibar)
ATMs and agent network	Owned ATMs and third-party agent banking network	Nationwide, with strong rural presence
Internal processes & staff	Governance, risk management, data systems, staff capabilities	Tanzania (all locations)

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.2 Value Chain (Continued)

15.2.5 Value Chain Description (Continued)

Within its own operations, the main sustainability and climate-related exposures relate to energy consumption (grid electricity and generator use), physical risks to premises and the robustness of governance, risk management and data systems.

These exposures are addressed through energy-efficiency and solar initiatives (see Note 15.10), business continuity planning, backup power installations at critical sites and investment in risk management and data infrastructure to support climate-related analysis.

Downstream value chain - customers and lending segments

Category	Description	Geographic Presence
Retail customers	Individuals, including pensioners	Nationwide
SME borrowers	Small and medium enterprises	Mainly urban and semi-urban areas
Corporate & institutional	Large corporates and institutions	Concentrated in Dar es Salaam, Mwanza, Arusha
Public sector	Lending to government entities and	Nationwide

Through its lending activities, the Bank influences economic outcomes across key sectors such as agriculture, trade, education and personal finance, thereby contributing to employment, business growth and household stability. The climate risk profile of borrowers directly affects the Bank's credit risk exposure, making downstream climate risk assessment a critical component of the Bank's risk management framework.

The Bank also engages with key regulatory and oversight bodies including the Bank of Tanzania, the National Board of Accountants and Auditors, the Tanzania Revenue Authority and the Controller and Auditor General which influence sustainability-related practices through prudential, reporting, tax and audit requirements. Engagement with these authorities forms part of the Bank's broader stakeholder and sustainability governance approach (see Note 15.7).

15.3 Reporting Boundary

15.3.1 Reporting Entity

Tanzania Commercial Bank PLC (the "Bank") is a single legal and operational entity with no subsidiaries, joint ventures or associates. Accordingly, the reporting entity for these sustainability-related financial disclosures is identical to the reporting entity used in the Bank's annual financial statements, prepared in accordance with IFRS Accounting Standards.

There were no acquisitions, disposals or other structural changes during the reporting period that affected the composition of the reporting entity

for sustainability reporting purposes.

The Bank leases various office spaces for its branch network and administrative operations. For the duration of each lease term, the Bank has the right to control the use of the leased assets and to obtain substantially all of the related economic benefits. Sustainability-related information associated with the use of these leased assets (for example energy consumption) is therefore included within the reporting boundary. The Bank does not act as a lessor and does not hold investment properties leased to third parties.

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.3 Reporting Boundary (Continued)

15.3.2 Boundary for sustainability-related disclosures

The Bank applies the same boundary for sustainability-related financial disclosures as for its general-purpose financial statements. All activities conducted by the Bank in Mainland Tanzania and Zanzibar are included, covering:

- Head office operations in Dar es Salaam.
- Branch network operations.
- Owned ATM network operations.
- Digital banking operations (including the TCB Popote platform and internet banking).
- Coordination of the national agency banking network.
- Treasury and investment operations.
- Leased office premises used for branch and administrative functions.

No material activities within the Bank's control have been excluded from the sustainability reporting boundary. Agency banking services are delivered by independent agents rather than Bank staff; while these activities are coordinated by the Bank and are relevant to its value chain (see Note 15.2), their direct emissions and resource use are not included in the Bank's own operational metrics and are potential candidates for future Scope 3 assessment.

Diaspora banking services are offered through digital channels and correspondent banking relationships. These activities are carried out within the same reporting entity and are therefore considered within the Bank's sustainability reporting boundary, although they do not create separate legal entities.

15.3.3 Reporting Boundary for GHG Emissions

The Bank measures its greenhouse gas (GHG) emissions in accordance with the GHG Protocol: A Corporate Accounting and Reporting Standard (2004), unless otherwise required by IFRS S2.

a) Organizational Boundary

For GHG reporting, the Bank applies the operational control approach. Under this approach, the Bank includes emissions from all operations over which it has operational control, regardless of ownership. This includes:

- All branches and the head office.
- Leased office premises used for branch and administrative functions.
- Vehicles used in the Bank's operations, where applicable.
- Backup generators and other fuel-consuming equipment.

Because TCB has no subsidiaries, joint ventures or associates, the organisational boundary for GHG emissions is the same as the single-entity boundary described in section 15.3.2, expanded to include leased assets over which the Bank has operational control.

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.3 Reporting Boundary (Continued)

15.3.3 Reporting Boundary for GHG Emissions (Continued)

b) Operational Boundary

Within this organisational boundary, the Bank defines its operational GHG boundary by reference to the three standard scopes:

- **Scope 1 - Direct GHG emissions**: Emissions from sources owned or controlled by the Bank, including fuel combustion in backup generators and fuel used in company vehicles.
- **Scope 2 - Indirect GHG emissions from purchased energy**: Emissions from the generation of purchased electricity consumed by the Bank in its branches, head office and other facilities. For 2025 the Bank discloses Scope 2 emissions using the location-based method; any difference between location-based and market-based emissions is not material given current reliance on the national grid.

In this reporting period, the Bank discloses Scope 1 and Scope 2 emissions only (see Note 15.14). In accordance with IFRS S2 paragraph C4(b), the Bank has elected to apply the first-year transition relief from disclosing Scope 3 GHG emissions, including financed emissions (Category 15). The Bank is developing methodologies aligned with the Partnership for Carbon Accounting Financials (PCAF) Standard and intends to disclose Scope 3 emissions in 2026 as per IFRS S2 standard requirement.

15.3.4 Alignment with Financial Statements

The reporting boundary for these sustainability-related financial disclosures is fully aligned with the Bank's annual financial statements in respect of:

- **Reporting entity** - Tanzania Commercial Bank PLC as a single legal entity.
- **Reporting period** - year ended 31 December 2025.
- **Consolidation approach** - single entity, with no subsidiaries, joint ventures or associates.
- **Presentation currency** - Tanzanian Shilling (TZS).

This alignment ensures that users can read the sustainability-related financial disclosures together with the financial statements without needing reconciliation adjustments or boundary explanations beyond those set out above.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.4 Judgements and Measurement Uncertainties

15.4.1 Significant judgements

In preparing these sustainability-related financial disclosures, management has applied significant judgement in determining:

- Which sustainability-related risks and opportunities are material; and
- How to define and measure the Bank's GHG emissions.

The most important judgements are summarised in the table below.

Significant Judgements

Judgement Area	Description	Note Reference
Materiality process	Management applied significant judgement to identify the sustainability-related risks and opportunities that could reasonably be expected to affect the Bank's prospects, as well as the material information related to those risks and opportunities. In making this assessment, management considered regulatory expectations (including the Bank of Tanzania guidelines), sector-specific climate risks for commercial banks, the Bank's 2024-2028 strategic plan and the Climate-Related Financial Risk Management Policy (2025), as well as input from external advisers. The process followed in determining what information could reasonably influence decisions of primary users is described in the materiality assessment.	Note 15.5
Organisational boundary for GHG emissions	The Bank has applied the operational control approach to determine its organisational boundary for reporting GHG emissions. This requires the Bank to identify the operations over which it has full authority to introduce and implement operating policies, including leased premises, generators and vehicles used in operations. Both the selection of the most appropriate consolidation approach and the identification of operations over which the Bank has operational control are areas of significant judgement.	Note 15.3, Note 15.14
Calculation methods for GHG emissions	The Bank has applied judgement in selecting the calculation methods used to determine its Scope 1 and Scope 2 GHG emissions. Given current data availability, the Bank uses a combination of measured consumption data (for example, fuel and electricity usage) and cost-based estimations where direct volume data is not available for all locations. Management judged these methods to be the most appropriate and practicable at this stage and expects to refine them as metering and data systems improve.	Note 15.14

Where applicable, the data sources and key assumptions used in these sustainability-related financial disclosures are consistent with those used in the Bank's financial statements.

15.4.2 Measurement uncertainty

Certain information disclosed in this report is subject to measurement uncertainty because it relies on estimates, assumptions and data from third parties. The most significant sources of uncertainty are summarised in the table below.

Key sources of measurement uncertainty

Source of uncertainty	Description	Note Reference
GHG-related metrics	The Bank measures its GHG emissions in accordance with the GHG Protocol unless otherwise stated as required by IFRS S2. The related metrics are subject to inherent uncertainties because they rely on activity data (for example fuel and electricity consumption) and emission factors obtained from third parties. Where activity data or emission factors cannot be obtained on a timely basis or are incomplete, estimation techniques are used, such as cost-based proxies for consumption. These approaches can result in a range of possible emission values rather than a single precise point estimate.	15.14
Climate transition risk - change in customer behavior	The measurement of anticipated financial effects arising from climate transition risks, including potential shifts in customer and market behavior, is subject to significant measurement uncertainty. There is limited historical evidence of how changes in climate policy, technology and customer preferences in Tanzania will affect demand for the Bank's products, credit performance or business volumes. As a result, there is a wide range of potential outcomes for the anticipated financial effects of transition risks over the medium to long term.	Note 15.9

The Bank is enhancing its data collection, metering and scenario analysis capabilities with the objective of reducing these uncertainties over time and providing more precise and comprehensive information about both emissions and the financial effects of climate-related risks.

Significant judgements and the key sources of measurement uncertainty described are reviewed by management at each reporting date and updated as necessary to reflect new information, improved methodologies and changes in the Bank's risk profile.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.5 Materiality Assessment

15.5.1 Materiality process

This is the first year that Tanzania Commercial Bank PLC has prepared sustainability-related financial disclosures under IFRS S1 and IFRS S2. Management therefore undertook a structured materiality assessment to identify the climate-related risks and opportunities that could reasonably be expected to affect the Bank's prospects and to determine which information about those matters is material for disclosure.

In line with the IFRS S1 paragraph E5 climate-only relief, this first-year assessment focuses on climate-related risks and opportunities. Other sustainability topics (for example diversity, employee well-being, financial inclusion and supply chain ethics) are being assessed and are expected to be incorporated into expanded ESG reporting in future periods as data and processes mature.

The materiality assessment was coordinated by the Directorate of Risk Management and Compliance and the Directorate of Finance, with oversight from the Risk and Control Committee at management level and the Board Audit, Risk Management and Compliance Committee at Board level (see Note 15.7).

15.5.2 Materiality Assessment Process

A two-step materiality process was followed in line with international best practices and guidance from the International Sustainability Standards Board (ISSB):

- **Step 1**: Identify sustainability-related risks and opportunities that could reasonably be expected to affect the Bank's prospects over the short, medium, and long term.
- **Step 2:** Identify material information determination of the disclosures needed in relation to the sustainability-related risks and opportunities identified.

The aim of this process was to identify information about sustainability-related risks and opportunities that could reasonably be expected to affect the Bank's prospects, as well as influence decisions made by primary users of general-purpose financial reports. Management focused specifically on existing and potential investors, lenders, and other creditors. This materiality assessment will be updated at least annually to reflect changes in the Bank's activities, risk profile and external environment.

Step 1: Identification of Sustainability-Related Risks and Opportunities

The first step focused on building a comprehensive picture of how climate change could affect the Bank's business model, value chain and financial performance. Management began by analysing the Bank's business and portfolio context, including its exclusively Tanzanian footprint, the geographic distribution of lending and the composition of the loan book by sector and product, with particular attention to concentrations in Dar es Salaam and exposure to climate-sensitive sectors such as agriculture, building and construction, manufacturing, and transport and communication. This analysis also considered how climate-sensitive activities are embedded within broader segments such as the personal portfolio.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.5 Materiality Assessment (Continued)

15.5.2 Materiality Assessment Process (Continued)

Step 1: Identification of Sustainability-Related Risks and Opportunities (Continued)
The Bank then reviewed key internal risk and strategy documents, including the Enterprise-Wide Risk Management Framework (2025), the Climate-Related Financial Risk Management Policy (2025), the Environmental and Social Governance Policy, the Lending Manual (2025) and the Stress Testing Framework and Policy (2025). These documents set out how risks are identified, assessed and managed and provided an initial list of climate-related drivers affecting credit risk, operational resilience and strategy. The Strategic Plan 2024 - 2028 was also reviewed to ensure that strategic priorities, such as digital transformation, financial inclusion and sustainable finance, were reflected in the assessment. To complement these internal sources, management considered external guidance and benchmarks, including educational material issued by the IFRS Foundation on IFRS S1 and IFRS S2, the disclosure topics in the SASB Standards for Commercial Banks, and the Bank of Tanzania Guidelines on Climate-Related Financial Risks Management and Disclosures (2025) and Guidelines on Sustainability Reporting (2025). Disclosures by peer banks were used as a further reference point for sector-specific climate topics and emerging practice. Stakeholder perspectives were incorporated through existing engagement channels rather than a separate survey. Management considered expectations expressed by regulators, shareholders and potential development finance partners during ongoing supervisory dialogue, investor and rating agency meetings and periodic Board reporting. These interactions confirmed that climate-related risks with potential implications for credit quality, capital and access to funding are of high interest to primary users of the Bank's general-purpose financial reports. Finally, outputs from climate-related scenario analysis and stress testing were used to refine the list of potential risks and opportunities. Climate scenarios applied to climate-sensitive parts of the loan portfolio, especially agriculture and other vulnerable sectors, helped identify where physical events such as droughts and floods or transition developments such as policy and technology changes could lead to higher non-performing loans, increased credit losses or pressures on capital.

Taken together, these activities produced a long list of climate-related risks (both physical and transition) and climate-related opportunities linked to the Bank's lending activities, operations and strategy.

Step 2 - Assess material information for disclosure.

In the second step, management evaluated which items on this long list, and which related information, are material to disclose under IFRS S1. The assessment focused on information that could reasonably be expected to influence decisions of existing and potential investors, lenders and other creditors by affecting the Bank's prospects, including its cash flows, access to finance or cost of capital.

Each identified risk or opportunity was assessed with reference to its potential magnitude of impact on the Bank's financial position, performance and strategy; the likelihood of occurrence; the time horizon over which effects could arise, using the short-, medium- and long-term definitions described in Note 15.1.2; and the extent to which existing management actions and controls mitigate the exposure. Management also considered whether the information would be relevant to primary users in understanding the Bank's resilience and transition plans.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.5 Materiality Assessment (Continued)

15.5.2 Materiality Assessment Process (Continued)

Step 2 - Assess material information for disclosure.

No rigid quantitative thresholds were applied. Instead, judgement was used to prioritize matters that combine a meaningful potential impact with a reasonable likelihood of occurring and a clear link to the Bank's strategic objectives and risk profile. Through this process, management concluded that three overarching climate-related environmental topics are material for 2025: climate-related physical risk, climate-related transition risk and climate-related opportunities.

These material topics, together with their rationale, the Bank's management approach, the affected components of the reporting boundary and the related note references, are summarised in Note 15.6 and are discussed in more detail in Note 15.8.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)
15.5 Materiality Assessment (Continued)

15.5.3 Materiality Assessment Results

Outcome of the Process:

The table below includes the sustainability-related matters identified as part of the materiality processes described. As the Bank has applied the climate-only disclosure relief under IFRS S1.E5, only climate-related topics are included in this report. Further information on each topic can be found in the note referenced in the table below;

Outcome of materiality process

Pillar	Material Topic	Rationale for Materiality	Summary of Management Approach	Affected Component of the Reporting Boundary	Note Reference
Environmental	Climate-Related Physical Risk	The Bank's loan portfolio and operations are exposed to physical climate risks such as floods, storms and droughts. These events can directly affect borrowers' capacity to repay and the value of collateral and can disrupt branch and ATM operations. The Bank operates exclusively in Tanzania with significant concentration in urban and peri-urban regions; exposures in coastal and flood-prone areas increase vulnerability to both acute events (for example flash floods) and chronic changes (for example rising temperatures and changing rainfall patterns).	Integration of climate-related physical risks into the Enterprise-Wide Risk Management Framework and credit risk processes; use of the Climate-Related Financial Risk Management Policy (2025) and Stress Testing Framework to perform scenario analysis (for example drought and flood scenarios) on climate-sensitive portfolios; incorporation of climate considerations into credit appraisal through the ESG Compliance Questionnaire and Lending Manual (2025);	Downstream (borrowers and collateral in climate-sensitive regions and sectors) Own operations; (branches, ATMs, infrastructure);	Note 15.8

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)
15.5 Materiality Assessment (Continued)

15.5.3 Materiality Assessment Results

Outcome of materiality process (Continued)

Pillar	Material Topic	Rationale for Materiality	Summary of Management Approach	Affected Component of the Reporting Boundary	Note Reference
Environmental	Climate-Related Physical Risk	Climate-sensitive sectors, including parts of agriculture, building and construction, manufacturing and transport, together represent a significant share of the portfolio and approximately 23.2% of the Bank's exposure has been identified as climate-sensitive based on internal analysis.	Lending Manual (2025); geographic risk mapping of branches and collateral; enhancement of business continuity planning including backup power and alternative channels.		
Environmental	Climate-Related Transition Risk	Policy, regulatory, technological and market developments linked to the transition to a low-carbon economy may affect borrower viability, asset values and the Bank's strategic positioning. Regulatory expectations under the Bank of Tanzania Guidelines on Climate-Related Financial Risks Management and Disclosures (2025) and the mandatory adoption of IFRS S1 and IFRS S2 drive the need for enhanced climate risk management and disclosure.	Active monitoring of portfolio exposure to higher-emission and climate-sensitive sectors; integration of ESG and climate factors into credit appraisal and ongoing monitoring using the Environmental and Social Governance Policy, ESG Compliance Questionnaire and Lending Manual (2025); alignment of policies and processes with Bank of Tanzania guidelines;	Own operations (strategy, compliance and reputation); Downstream (borrowers in carbon-exposed and climate-sensitive sectors)	Note 15.9

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)
15.5 Materiality Assessment (Continued)

15.5.3 Materiality Assessment Results
Outcome of materiality process (Continued)

Pillar	Material Topic	Rationale for Materiality	Summary of Management Approach	Affected Component of the Reporting Boundary	Note Reference
Environmental 9Contnued	Climate-Related Transition Risk	Borrowers in energy-intensive or carbon-exposed sectors (such as transport and communication, manufacturing, building and construction and mining) may face higher costs, compliance burdens or reduced demand. Stakeholders, including development finance institutions and investors, increasingly expect climate-aligned strategies and transparent disclosures, which can influence the Bank's access to funding and partnerships.	staff training on ESG and climate risk concepts; use of climate scenario analysis and stress testing to understand transition pathways; engagement with clients to support transition planning and to develop climate-aligned financing solutions.		
Environmental	**Climate-related opportunities**	The transition to a low-carbon and climate-resilient economy creates opportunities for the Bank to grow in areas such as green asset financing, climate-smart agriculture, energy-efficient technologies and digital financial inclusion. Tanzania's development and climate agendas, together with international climate finance initiatives, generate demand for financing of renewable energy,	Implementation of the Bank's climate strategy and Strategic Plan 2024-2028, including: mobilisation of dedicated climate finance; growth in climate-aligned lending products (for example climate-smart agriculture, clean water and sanitation, other green and sustainability-linked products	Own operations (energy use and technology); Downstream (borrowers and customers accessing green finance and digital channels); Upstream (engagement with climate finance providers and technical partners)	Note 15.10

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15 SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)
15.5 Materiality Assessment (Continued)

15.5.3 Materiality Assessment Results (Continued)

Outcome of materiality process (Continued)

Pillar	Material Topic	Rationale for Materiality	Summary of Management Approach	Affected Component of the Reporting Boundary	Note Reference
Environmental (Continued)	Climate-related opportunities (Continued)	energy efficiency, resilient infrastructure and sustainable agriculture. There are also opportunities to reduce the Bank's own operational footprint and costs through improved energy efficiency and digitisation. These opportunities are material because they can support revenue growth, portfolio diversification and the Bank's competitive position while contributing to national climate objectives.	); investment in energy-efficiency measures and renewable energy in selected branches; expansion of digital and agent banking channels to support financial inclusion and reduce the environmental footprint of physical branch-based services; integration of climate-related opportunities into target setting (see climate targets in Note 15.14.2).		

A full ESG materiality assessment covering environmental (beyond climate), social and governance topics is planned before the 2026 reporting period, when the Bank expects to expand its sustainability-related disclosures beyond climate

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.6 Sustainability Governance

15.6.1 Governance Structure Overview

The Bank has established a governance structure to provide oversight of sustainability-related risks and opportunities. This structure ensures that sustainability considerations are integrated into strategic decision-making at the highest levels of the organization while enabling effective day-to-day management and implementation.

The governance structure operates through clearly defined roles and responsibilities at the Board level, management level, and operational level, following the three lines of defense model that underpins the Bank's overall risk management framework.

An overview of the Bank's sustainability governance structure is set out below:

15.6.2 Board Oversight

The Board of Directors of Tanzania Commercial Bank PLC (the "Bank" or "TCB") has ultimate responsibility for the Bank's strategic direction and oversight of sustainability-related risks and opportunities, with a particular focus on climate-related matters in this first year of reporting under IFRS S1 and IFRS S2.

The Board ensures that sustainability considerations are integrated into the Bank's overall corporate strategy, including the Strategic Plan 2024-2028, and that climate-related risks and opportunities are considered in strategic objectives, performance metrics and risk management processes. Climate change is recognised as a driver of strategic, credit and operational risk in the Enterprise-Wide Risk Management Framework (2025).

The Board has not established a standalone sustainability committee. Instead, climate and other sustainability-related matters are overseen through the existing Board Audit, Risk Management and Compliance Committee ("BARCC"), whose terms of reference were updated in 2025 to explicitly include responsibility for sustainability and climate-related financial risks.

15.6.3 Board Audit, Risk Management and Compliance Committee (BARCC)

BARCC is composed primarily of non-executive directors, with an independent chair, and has a mandate to oversee audit, risk management, compliance and sustainability matters. In relation to climate and sustainability, BARCC is responsible for:

- Overseeing the Bank's sustainability and climate-related strategies, policies and implementation plans, including the Climate-Related Financial Risk Management Policy (2025).
- Ensuring that climate-related financial risks are understood and considered at Board and senior management level.
- Reviewing reports on climate-related risk exposures, stress-testing results and progress against climate-related targets.
- Monitoring the integration of climate and ESG considerations into credit risk management and other key processes; and
- Reviewing sustainability-related disclosures before they are recommended to the Board for approval.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.6 Sustainability Governance (Continued)

15.6.3 Board Audit, Risk Management and Compliance Committee (BARCC) (Continued)

Sustainability and climate-related matters form part of the BARCC meetings. The Committee receives regular reports from management on:

- Implementation of the Environmental and Social Governance Policy.
- The use of the ESG Compliance Questionnaire Checklist in lending operations.
- Climate-related stress-testing results for climate-sensitive portfolios; and
- Sustainability-related initiatives and target progress.

BARCC meets at least quarterly and reports to the full Board after each meeting. This ensures that material sustainability and climate-related issues, and progress against related objectives, are regularly considered at Board level.

15.6.4 Board skills and competence

The Board collectively has extensive experience in banking, risk management and financial regulation. Recognising that climate-related risks and opportunities are an evolving area, the Board has begun to strengthen its climate-related expertise through training and engagement with internal and external experts.

During 2025, Board members and senior management received training on:

- ISSB sustainability disclosure standards (including IFRS S1 and IFRS S2).
- The Bank of Tanzania's 2025 Guidelines on Climate-Related Financial Risks Management and Disclosures; and
- Climate-related financial risk concepts and their implications for TCB's portfolio and strategy.

Further training on climate-related topics is planned on an annual basis as the Bank's climate risk framework and reporting mature.

15.6.5 Management's role in sustainability governance

Executive management is responsible for implementing the Board's strategic direction on sustainability and climate-related matters and for embedding these considerations in day-to-day decision-making. Responsibilities are distributed across senior management rather than concentrated in a single function.

15.6.6 Risk and Control Committee (RCC)

At executive level, the Risk and Control Committee (RCC), chaired by the CEO and comprising senior management from all key directorates, acts as the main forum for monitoring sustainability-related risks and opportunities. RCC's responsibilities include:

- Overseeing implementation of sustainability and climate-related policies.
- Reviewing climate-related risk reports and stress-testing results.
- Monitoring progress against sustainability-related strategic objectives and targets; and
- Reviewing sustainability-related disclosures prior to submission to BARCC.

RCC meets monthly and escalates material matters and recommendations to BARCC on a quarterly basis.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.6 Sustainability Governance (Continued)

15.6.7 Cross-Functional Sustainability Team

A cross-functional sustainability team, led by the Directorate of Risk Management and Compliance, supports the development and implementation of tools, methodologies and data processes for climate and ESG risk assessment. Its activities include:

- Designing and piloting the ESG Compliance Questionnaire Checklist for high-impact sectors.
- Coordinating collection of sustainability data from across the Bank.
- Supporting climate-related scenario analysis and risk scoring methodologies; and
- Contributing to the preparation of sustainability-related financial disclosures in line with IFRS S1 and IFRS S2.

15.6.8 Impact of Sustainability on Remuneration Policies

At present, the Bank does not have a formal remuneration policy that directly links variable pay to specific sustainability or climate-related performance indicators. However, sustainability objectives are gradually being reflected in the broader performance evaluation framework for senior management and key functions (such as risk, credit and operations), alongside financial and operational metrics.

As the Bank's climate-related metrics and targets (see Note 15.14.2) become more embedded and measurable, the Bank intends to explore options for more explicit linkage between sustainability performance and remuneration, for example:

- Including selected climate or ESG indicators in executive performance scorecards; and
- Recognising contributions to sustainability initiatives in performance evaluations and recognition programmes.

Any such changes will be considered in the context of regulatory expectations and good practice in the Tanzanian banking sector.

15.6.9 Risk management (governance view)

The Bank applies its existing enterprise risk management (ERM) framework and three-lines-of-defense manage sustainability and climate-related risks.

- **First line - business units and support functions** are responsible for identifying and managing climate-related risks within their activities, including incorporating climate considerations into credit origination, customer engagement and operational decision-making, and for collecting relevant sustainability data.
- **Second line - Risk Management and Compliance** provides oversight and challenge, develops climate-related risk management policies and frameworks, monitors climate risk exposures and coordinates sustainability reporting and regulatory engagement.
- **Third line - Internal Audit** provides independent assurance over the effectiveness of risk management and control processes, including climate-related aspects. The Bank is planning to explicitly incorporate climate-related risk governance and controls into Internal Audit's scope from 2026 onwards.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.6 Sustainability Governance (Continued)

15.6.9 Risk management (governance view) (Continued)

Climate-related risks are embedded in the Bank's ERM and risk appetite framework as drivers of existing risk categories (such as credit, operational and strategic risk). Detailed descriptions of the Bank's processes for identifying, assessing, managing and monitoring climate-related risks are provided in Note 15.8 (Processes, controls, policies), with quantitative metrics and targets presented in Note 15.14.2.

15.7 Environment-Related Risks and Opportunities

15.7.1 Overview

This note provides disclosures on the climate-related risks and opportunities that could reasonably be expected to affect the Bank's prospects over the short, medium, and long term. The disclosures are prepared in accordance with IFRS S2 *Climate-related Disclosures* and address the material topics identified through the Bank's materiality assessment (see Note 15.5).

15.7.2 Climate-Related Physical Risk

a). Risk Description

The Bank is exposed to climate-related physical risk primarily through its lending activities in sectors and regions that are vulnerable to extreme weather events and longer-term changes in climate patterns. Physical risks can disrupt economic activity, weaken borrowers' repayment capacity, damage collateral assets and, to a lesser extent, affect the Bank's own operations.

The Bank distinguishes between:

- **Acute physical risks**: short-term, extreme weather events such as floods, storms and heatwaves; and
- **Chronic physical risks**: longer-term shifts in climate, including changes in rainfall patterns, rising temperatures and sea-level rise.

b). Key hazards

Based on historical events and forward-looking analysis, the most relevant physical climate hazards for the Bank are:

- **Flooding**: Flash and riverine flooding during the rainy season, affecting borrowers and Bank premises in regions such as Kigoma, Mwanza, Morogoro and low-lying parts of Dar es Salaam.
- **Drought**: Prolonged dry periods in central and northern agricultural zones, affecting crop yields, livestock and water availability and thereby constraining the ability of agricultural and related borrowers to service their loans.
- **Heat stress and changing rainfall patterns**: Gradual increases in average temperatures and shifts in rainfall timing and distribution, which can reduce agricultural productivity, increase cooling costs and affect labour and infrastructure performance.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.7 Environment-Related Risks and Opportunities (Continued)

15.7.2 Climate-Related Physical Risk (Continued)

b). Key hazards(Continued)

- **Coastal flooding and sea-level rise**: Dar es Salaam and other coastal areas face increased risks from coastal flooding and potential sea-level rise, with implications for property values and infrastructure resilience.

Climate-related physical risks affect multiple lending segments. Based on the Bank's portfolio analysis, the following sectors are particularly relevant:

*Sectoral exposure to physical climate risk**

Sector	Approximate share of loan portfolio	Climate sensitivity	Primary physical risk channel
Personal	50%	Indirect	Many borrowers' incomes depend on climate-sensitive activities (e.g. agriculture, fisheries, informal trade), even though classified as "Personal"
Trade	14%	Indirect/moderate	Exposure to supply-chain disruptions, transport interruptions and climate-affected demand, especially were linked to agricultural products.
Transport and communication	7%	High	Exposure to extreme weather events affecting transport infrastructure, logistics networks and communication services.
Building & Construction	5%	High	Exposure to flooding, storms and changing building standards affecting construction projects and underlying collateral.
Manufacturing	4%	Moderate to High	Exposure to flooding, supply-chain disruption and physical damage to facilities and equipment.

**Percentages are based on the Bank's "top 5 sectors" from internal portfolio data as at 31 December 2025 and are presented to illustrate relative exposure levels rather than as exact IFRS figures.*

Although direct lending to agriculture is relatively modest, management recognises that a significant share of the Personal and Trade segments is effectively exposed to agricultural and climate-sensitive incomes. This indirect exposure increases the Bank's overall sensitivity to physical climate risk beyond what is visible from sector labels alone.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.7 Environment-Related Risks and Opportunities (Continued)

15.7.2 Climate-Related Physical Risk (Continued)

c). Geographic concentration

For analysis of the Bank's portfolio concentration per regional composition, refer to note 15.2.2. The Bank's geographic concentration also influences physical risk. A substantial portion of the loan book is concentrated in Dar es Salaam (a coastal city) as well as inland regions such as Kigoma, Mwanza and Morogoro that have experienced flooding events in the past. Central and northern agricultural regions are vulnerable to drought. These geographic patterns are taken into account in the Bank's climate risk assessment, stress testing and branch-level business continuity planning.

d). Time horizons

Physical risks are considered across the short term (0-12 months), medium term (1-5 years) and long term (beyond 5 years), using the time horizon definitions set out in Note 15.1.2. Acute events can arise at any time, while chronic risks such as temperature increases, changing rainfall patterns and sea-level rise are expected to become more pronounced over the medium to long term.

15.7.3 Effects on Business Model and Value Chain

Climate-related physical risks pose a material threat to the sustainability of the Bank's business model by increasing credit losses in climate-exposed sectors and potentially disrupting operations. The effects manifest across the Bank's value chain:

Downstream - lending portfolio

For borrowers, physical risks:

- **Weaken credit quality** - Climate events such as floods or droughts can disrupt production, income and cash flows, particularly for climate-sensitive activities in agriculture, trade and transport. This increases the likelihood of arrears and defaults and can lead to a rise in non-performing loans (NPLs) and expected credit losses (ECL).
- **Reduce collateral recoveries** - Farmland, residential and commercial properties and other pledged assets located in flood-prone or drought-affected areas may suffer damage or longer-term value impairment, reducing recovery rates in default situations.
- **Increase concentration risk** - Physical events that affect particular regions or sectors can result in clusters of defaults, increasing sectoral and regional concentration risk.

Given the prominence of the Personal and Trade segments in the portfolio and their links to climate-sensitive livelihoods, these effects can be significant even when direct agricultural lending appears modest.

Own operations

Physical risks can also affect the Bank's own operations, though on a smaller scale than the loan book:

- Branches and ATMs can be temporarily closed or disrupted by flooding, storms or power outages, affecting service continuity and potentially reducing transaction volumes.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.7 Environment-Related Risks and Opportunities (Continued)

15.7.3 Effects on Business Model and Value Chain (Continued)

- The head office and some branches depend on backup generators to maintain operations during grid interruptions, increasing reliance on diesel and contributing to Scope 1 emissions.
- Digital channels such as the TCB Popote platform may be indirectly affected when telecommunications or power infrastructure are disrupted by extreme weather.

These factors may increase operating costs and require additional investment in resilience (for example, backup power, ICT disaster recovery and branch hardening).

Upstream suppliers and partners

Upstream, physical climate risks can affect:

- **Utility providers**, whose networks may be disrupted by extreme weather, leading to service interruptions at branches and for digital channels; and
- **Key technology and service providers**, whose own operations may be affected by climate events, potentially impacting the availability and quality of the Bank's systems and services.

Any such disruptions can temporarily reduce the Bank's ability to provide services and may require contingency arrangements and additional expenditure.

15.7.4 Effects on Strategy and Decision-Making

Climate-related physical risks are increasingly informing the Bank's strategic and credit decisions. Recognizing the material exposure identified through stress testing and portfolio analysis, the Bank has integrated physical risk considerations into multiple aspects of its operations.

Credit Risk Management:

The Lending Manual (2025) requires all loan applications to be assessed for environmental friendliness and social desirability, with explicit screening for climate vulnerability in high-risk sectors. This requirement complies with the Bank of Tanzania Guidelines on Climate-Related Financial Risks Management and Disclosures (2025).

Stress Testing:

Under the Stress Testing Framework and Policy (2025), the Bank conducts climate-related stress tests on climate-sensitive portfolios (for example, agriculture and related segments) using drought and flood scenarios. The results are used to:

- Estimate potential increases in NPLs and provisioning requirements.
- Assess the resilience of capital ratios under physical risk stress; and
- Inform risk appetite, sector concentration limits and capital and liquidity planning.

The broader climate scenario analysis, which also considers transition risks, is described in Note 15.9.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.7 Environment-Related Risks and Opportunities (Continued)

15.7.4Effects on Strategy and Decision-Making (Continued)

Product development and client support

In future, the Bank intends to develop products that support client adaptation and resilience, such as:

- Climate-smart agriculture financing to support investment in irrigation, drought-resistant inputs and other adaptation measures; and
- Water and sanitation projects that strengthen community resilience to climate variability.

These initiatives are designed to mitigate long-term credit risk while also supporting the Bank's sustainability objectives and potential access to climate finance from development partners. Further details on climate-related opportunities are provided in Note 15.10.

Operational resilience

Physical risk considerations also shape operational decisions, including:

- investment in backup power and ICT disaster recovery capabilities.
- updates to business continuity plans to explicitly address climate-related disruptions to branches and digital channels; and
- assessments of branch vulnerability to flooding and extreme weather in identified high-risk regions.

These measures aim to preserve the Bank's ability to serve customers during and after extreme events and support long-term franchise value.

15.7.5 Current and Anticipated Financial Effects

Current Financial Effects:

As at 31 December 2025, the Bank has experienced the following financial effects attributable to climate-related physical risks:

- Credit quality: The bank has identified construction, transport, mining and agriculture to be the sectors with high climate risks. Details of the NPL ratio disaggregated per sector is provided in 15.2.2.
- Operational Incidents: During the year 2025, there were no significant disruptions or financial effect on own operations as a result of climate risks.
- Other financial effects relate to collateral valuation and insurance costs for assets located in areas vulnerable to climate risk. The financial effect of these have not been determined due to data limitations. The Bank will continue to enhance its data system and processes to identify the full financial effects of its climate risk exposures.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.7 Environment-Related Risks and Opportunities (Continued)

15.7.5 Current and Anticipated Financial Effects (Continued)

Anticipated Financial Effects:

Looking ahead, the Bank anticipates that physical climate risks could have adverse effects on credit quality, capital and operating costs if climate hazards intensify over the short, medium and long term.

From a financial performance perspective, more frequent and severe droughts and floods could lead to higher levels of non-performing loans in climate-sensitive segments, particularly where borrowers are dependent on agricultural incomes or exposed to climate-vulnerable infrastructure. This would be expected to result in higher impairment charges and potentially lower net interest income as risk-based pricing and more conservative lending standards are applied in affected sectors and regions.

In terms of the Bank's financial position, an increase in credit losses and more conservative provisioning for climate-exposed portfolios could place pressure on capital buffers over time. While internal climate-related stress tests (see Note 15.11) indicate that capital ratios remain above minimum regulatory requirements under the scenarios considered, severe and sustained climate stress could erode headroom, especially if losses accumulate over successive seasons. Physical climate risks may also affect the value of collateral, particularly agricultural land and properties in flood-prone or coastal areas, which could reduce recovery rates in default situations and increase loss-given-default (LGD) for affected portfolios.

For cash flows, periods of climate-related stress could lead to slower or more volatile loan repayments from affected borrowers, while operational responses to climate events such as increased spending on monitoring, client support, business continuity and infrastructure repairs could increase cash outflows in the short term. In such circumstances, the Bank might need to deploy additional liquidity or adjust its funding plans in response to changing customer behaviour.

The Bank's current liquidity position, including a liquidity coverage ratio of approximately 281% as at September 2025, provides a substantial buffer against short-term climate-related liquidity shocks. However, management recognises that liquidity could be affected if severe events lead to prolonged disruptions in certain regions or sectors, and it therefore continues to monitor deposit behaviour and funding conditions closely.

Taking into account planned adaptation and mitigation actions including enhanced ESG screening in lending, the development of climate-resilient lending products, improved business continuity arrangements and targeted portfolio management currently expects that the financial effects of physical climate risks can be absorbed within the Bank's existing risk appetite and capital planning horizon. Nevertheless, these effects remain subject to significant uncertainty (see Note 15.4.2), and the Bank will continue to refine its assessments as data quality and climate modelling capabilities improve.

Other Anticipated Effects:

In addition to the projected impacts on non-performing loans and provisioning under the Bank's stress-testing scenarios, management expects other financial effects from physical climate risks across several dimensions of performance and resilience:

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.7 Environment-Related Risks and Opportunities (Continued)

15.7.5 Current and Anticipated Financial Effects (Continued)

Operational costs Physical climate events can drive up operating expenses, as the Bank will be required to allocate additional resources toward monitoring at-risk portfolios, assisting impacted clients, and reinforcing business continuity measures. These measures may include backup power systems, contingency planning for branches, and enhanced ICT disaster recovery capabilities.

Liquidity - Localised or regional climate events may temporarily affect customer cash flows and trigger short-term deposit outflows or shifts in funding patterns. The Bank's current liquidity position, including a Liquidity Coverage Ratio (LCR) of 281% as at September 2025, provides a substantial buffer to absorb such short-term shocks; however, ongoing monitoring remains essential.

Capital - If climate-related losses accumulate over successive seasons particularly in climate-sensitive sectors such as agriculture and related value chains there is a risk of gradual pressure on the Bank's capital buffers. While internal stress-testing indicates that regulatory capital ratios remain above minimum requirements under the scenarios considered, sustained or more severe climate impacts could erode headroom over the medium term.

Collateral values - Physical climate risks may also affect the valuation of collateral, especially agricultural land and properties located in flood-prone or coastal areas. Over time, such devaluations could reduce recovery rates in default situations and increase Loss-Given-Default (LGD) for affected portfolios.

15.8 Climate-Related Transition Risk

a) Risk Description

The Bank is exposed to climate-related transition risks arising from changes in regulation, technology, markets and stakeholder expectations as the global and domestic economy moves toward a lower-carbon and more sustainable development pathway. These changes can affect the creditworthiness of borrowers, create new compliance and reporting obligations for the Bank and influence stakeholder perceptions of the Bank's role in the transition.

Primary drivers of transition risk

- **Policy and regulation** - The Bank operates in an environment where prudential and reporting expectations related to climate are increasing. Key developments include:
    - The Bank of Tanzania Guidelines on Climate-Related Financial Risks Management and Disclosures (2025), which require banks to identify, assess, monitor and disclose material climate-related financial risks and to submit a sustainability roadmap.
    - The Bank of Tanzania Guidelines on Sustainability Reporting (April 2025), which mandate sustainability reporting for licensed financial institutions; and
    - The NBAA sustainability pronouncement, which requires adoption of IFRS S1 and IFRS S2 from 1 January 2025 for entities preparing general-purpose financial reports.

Non-compliance with these requirements could result in increased supervisory scrutiny, regulatory sanctions or constraints on the Bank's ability to access future opportunities linked to sustainable finance.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.8 Climate-Related Transition Risk (Continued)

a) Risk Description (Continued)

- **Technology** - Advances in low-carbon and energy-efficient technologies, such as renewable energy, electric vehicles and industrial efficiency solutions, may disrupt existing business models and create stranded-asset risk for businesses that do not adapt. Borrowers in sectors such as transport and communication, manufacturing and certain industrial activities may need to invest in new technologies to remain competitive and compliant, affecting their credit profiles and financing needs.
- **Markets and investors** - Customer preferences and investor expectations are evolving towards sustainable products and services. There is growing demand for green and sustainability-linked finance, and Development Finance Institutions (DFIs) increasingly require evidence of climate alignment and robust climate risk management. Failure to respond to these expectations could reduce the Bank's competitiveness and limit access to concessional climate finance and ESG-oriented investors.
- **Reputation** - Stakeholder perceptions of the Bank's climate performance and lending practices represent a further transition risk. Perceived misalignment with climate objectives, such as prolonged exposure to environmentally harmful activities or inadequate climate disclosure, could damage the Bank's reputation, affecting customer acquisition, talent attraction and relationships with regulators and partners.

Sectors most exposed to transition risk

The Bank has identified several sectors in its portfolio as having elevated exposure to transition risks, including:

- **Transport and communication** - borrowers are exposed to higher fuel costs, potential fuel taxation, tightening emission standards and the need to invest in vehicle and fleet electrification.
- **Manufacturing** - transition to lower-carbon production processes may increase energy and compliance costs and trigger investment requirements to meet efficiency standards.
- **Building and construction** - new and existing buildings are increasingly expected to comply with green building codes and energy efficiency requirements, which may change project economics and collateral values.
- **Mining and quarrying** - potential regulatory restrictions, rehabilitation obligations and changing investor sentiment may increase stranded-asset risk and raise the cost of capital.
- **Agriculture** - evolving requirements for sustainable land use, deforestation policies and water resource management may influence operating costs and access to markets and finance.

While the Bank does not have significant direct exposure to fossil fuel extraction or thermal power generation, it does finance borrowers whose operations are dependent on fossil fuels (for example, in transport and manufacturing) or may be affected by broader transition dynamics. These indirect exposures as disclosed in note 15.2.2 are incorporated into the Bank's transition risk assessments.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.8 Climate-Related Transition Risk (Continued)

a) Risk Description (Continued)

Time horizons

Transition risks are assessed primarily over the medium term (1-5 years) and long term (beyond 5 years). Policy and disclosure requirements can create short-term compliance pressures, while changes in technology, market structure and reputation typically unfold over longer periods. Reputational impacts can arise suddenly from a specific event or controversy but also build gradually as stakeholders compare the Bank's climate performance with that of its peers.

b) Effects on Business Model and Value Chain

Transition risks affect the Bank mainly through the downstream side of its value chain (borrowers and markets) but also influence its own operations and its positioning in the financial system.

Downstream - borrowers and portfolio

For borrowers, transition risks can:

- **Reduce viability in high-emission or regulation-sensitive sectors** - Clients in sectors such as transport and communication, manufacturing, building and construction, mining and certain agricultural activities may face higher operating costs, lower demand for carbon-intensive products or stricter regulatory constraints. These pressures can weaken cash flows and increase default risk, leading to sector-specific credit deterioration.
- **Create stranded-asset risk** - Assets that rely on fossil fuels or carbon-intensive processes (for example, certain industrial equipment, vehicles or extractive assets) may lose value before the end of their useful lives as technology, regulations or market preferences change. This can impair collateral values and reduce recovery rates in default scenarios.
- **Increase transition financing needs** - Many borrowers will require capital to invest in technology upgrades, efficiency improvements and business model changes. This can create new financing opportunities for the Bank but also raises the complexity of credit assessment and the need to understand clients' transition plans.

These effects may influence the Bank's sectoral composition over time as it rebalances away from transition-sensitive exposures and grows its sustainable finance activities.

Own operations

Transition risk also affects the Bank's own operations through:

- **Compliance and reporting costs** - The Bank must invest in systems, processes and internal capabilities to comply with evolving regulatory and disclosure requirements (including IFRS S1/S2 and BOT sustainability guidelines), undertake climate risk assessments and prepare climate-related financial disclosures.
- **Operational transition costs** - Efforts to reduce the Bank's own operational emissions, such as energy-efficiency projects, renewable energy adoption and potential future electrification of vehicles, may require capital expenditure and operational adjustments.

These investments are necessary to maintain regulatory compliance, protect the Bank's reputation and support long-term competitiveness.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.8 Climate-Related Transition Risk (Continued)

b) Effects on Business Model and Value Chain (Continued)

Reputation and stakeholder relationships

Stakeholder perceptions of the Bank's climate performance and lending practices can influence its business model via:

- Customer preferences (for example, borrowers and depositors seeking to engage with banks that demonstrate strong climate performance).
- The willingness of DFIs and other partners to provide climate finance or strategic support; and
- The Bank's attractiveness to staff with skills in risk, technology and sustainability.

Failure to manage transition risk effectively could undermine these relationships, whereas proactive climate action can enhance the Bank's positioning as a responsible financial institution and unlock new partnership and funding opportunities.

c) Effects on Strategy and Decision-Making

Climate-related transition risks are increasingly embedded in the Bank's strategic planning, capital allocation and credit risk management.

Strategic framework and targets

The Bank's response to transition risk is anchored in its Climate-Related Financial Risk Management Policy (2025), approved by the Board on 30 September 2025, and aligned with the Strategic Plan 2024-2028. The climate strategy is structured around three priority areas:

- **Green assets financing** - The bank intends to invest in climate-friendly lending products and mobilising climate finance from DFIs and other partners.
- **Energy-efficient operations** - The Bank is putting measures in place to reduce operational emissions and improving energy efficiency in branches, offices and digital infrastructure; and
- **Promoting education, health and wellbeing** - supporting community resilience in alignment with selected UN Sustainable Development Goals.

To give this strategy measurable form, the Bank has set time-bound transition-related targets to be achieved by 2026, including:

- Growing the balance sheet of climate-related instruments by a defined percentage.
- The bank intends to mobilise approximately TZS 100 billion in dedicated climate finance from sources such as the Green Climate Fund and other DFIs.
- Reducing lending to identified.
- Carbon-intensive assets relative to the current baseline.
- Improving energy efficiency and procurement practices for its own operations; and
- Accelerating digitalisation initiatives that support paperless operations and more efficient client engagement.

These targets are embedded in the Strategic Plan 2024-2028 and monitored through the Enterprise-Wide Risk Management Framework (2025), which recognises climate change as an emerging driver of strategic, credit and operational risk.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.8 Climate-Related Transition Risk (Continued)

c) Effects on Strategy and Decision-Making (Continued)

Credit risk integration.

Transition considerations are integrated into credit risk management through:

- The Lending Manual (2025), which requires all loan applications to be assessed for environmental and social aspects, including the "environmental friendliness and social desirability" of activities.
- The ESG Compliance Questionnaire Checklist, applied to borrowers in higher-risk sectors (such as agriculture, transport, mining and manufacturing) to collect information on energy use, emissions intensity, water management and climate adaptation measures.
- Enhanced due diligence for borrowers in sectors with elevated transition risk; and
- Regular monitoring of sectoral exposures to carbon-intensive activities to inform risk appetite, sector limits and portfolio rebalancing.

These measures ensure that transition risk is considered when approving new business, managing existing relationships and planning future portfolio shifts.

Governance and disclosure readiness

In response to evolving regulations and market expectations, the Bank has strengthened its governance and disclosure readiness by:

- Updating the mandates of BARCC and the Risk and Control Committee to explicitly cover climate-related financial risks.
- Assigning clear responsibilities for climate-related risk management and reporting across the Directorate of Risk Management and Compliance, Finance, Credit and other key functions.
- Undertaking an internal gap analysis against IFRS S1, IFRS S2 and BOT guidance and initiating the development of centralised ESG data processes; and
- Engaging external advisers to support the design of methodologies, data collection processes and disclosures.

Looking ahead, the Bank plans to further enhance its capabilities by developing PCAF-aligned financed-emissions methodologies, strengthening ESG data systems, expanding climate-related training for staff and exploring green bond issuance and sustainability-linked financing structures. These steps are intended to ensure that transition risks are managed proactively and that the Bank is positioned to capture opportunities associated with the low-carbon transition.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.8 Climate-Related Transition Risk (Continued)

d) Current and Anticipated Financial Effects

Current Financial Effects:

As at 31 December 2025, there were no material financial impacts directly attributable to climate-related transition risks:

Current financial effects for climate related physical risk.

Category	Current Effect
Credit Losses	No write-offs, restructuring costs, or significant defaults linked to regulatory changes, technological disruption, or shifting consumer preferences
Reputational Damage	No material financial losses attributable to reputational damage arising from climate-related concerns; no public controversies, media scrutiny, or withdrawal of correspondent banking relationships
Regulatory Sanctions	No fines or penalties imposed by regulators related to sustainability disclosures
Compliance Costs	Incremental costs incurred for external consultants, staff training, and internal team time on data gathering and documentation; absorbed within general administrative expenses without material impact on net operating income

However, management recognizes that:

- Current financial performance may not reflect latent risks, particularly in sectors facing future carbon pricing mechanisms or stricter environmental standards.
- Reputational harm may not manifest immediately and could accumulate over time.
- The absence of current losses does not indicate absence of future exposure.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.8 Climate-Related Transition Risk (Continued)

d) Current and Anticipated Financial Effects (Continued)

Anticipated Financial Effects:

If transition pressures intensify, the Bank anticipates material financial impacts:

Anticipated financial effects for climate related physical risk.

Category	Anticipated Effect	Mitigation
Credit Risk	Increased credit risk in sectors dependent on fossil fuels or high-emission technologies; potential for borrower defaults as transition costs rise	ESG screening; sector exposure monitoring; client transition support
Provisioning	Higher provisioning requirements if borrowers face declining viability due to policy or market shifts	Climate-adjusted ECL models (under development)
Compliance Costs	Rising compliance and reporting costs associated with new disclosure mandates and regulatory requirements	Investment in systems and capabilities; staff training
Portfolio Rebalancing	Potential need to rebalance portfolio away from high-emission clients toward more sustainable sectors; possible short-term revenue impact	Phased transition; green product development
Access to Capital	Challenges in accessing green financing or forming partnerships with DFIs if climate performance is inadequate	Proactive climate strategy; transparent disclosure
Reputation	Reduced customer acquisition and retention; increased cost of capital due to diminished investor confidence	Stakeholder engagement; ESG transparency

Being the first year in which the Bank has prepared sustainability-related financial disclosures, the anticipated financial effects of climate-related transition risks are currently not separately identifiable in a way that would allow reliable quantification; accordingly, the Bank has disclosed these effects qualitatively

In contrast to these risks, proactive management of the transition and support for clients' adaptation and decarbonisation plans can also generate positive financial effects for the Bank

By expanding its sustainable finance offering and strengthening its climate credentials, the Bank aims to:

- **Develop green finance products** - Establish new revenue streams from sustainability-linked loans, green and climate-themed products and related advisory services that help clients plan and finance their transitions.
- **Deepen partnerships with development finance institutions (DFIs)** - Access concessional funding and risk-sharing instruments from climate finance providers, including an ambition to mobilise approximately TZS 100 billion in dedicated climate finance from sources such as the Green Climate Fund and other DFI partners.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.8 Climate-Related Transition Risk (Continued)

- **Provide client transition support** - Build stronger, longer-term client relationships by offering transition advisory and financing solutions tailored to high-emission or transition-sensitive sectors, rather than relying solely on portfolio exits.

d) Current and Anticipated Financial Effects

- **Enhance investor confidence** - Improve access to capital from ESG-conscious investors and counterparties by demonstrating a credible transition strategy, transparent climate-related disclosures and measurable progress against targets.
- **Strengthen competitive positioning** - Achieve a first-mover advantage in Tanzania's emerging sustainable finance market by embedding climate considerations into products, risk management and stakeholder engagement ahead of peers.

The Bank intends to pursue these opportunities over the medium term in a manner that is aligned with national development priorities, Tanzania's climate commitments and evolving regulatory expectations.

Targets and Trajectory

Portfolio Decarbonization Target:

The Bank has established a target to reduce lending to carbon-intensive assets by 5% by 2026. This target reflects the Bank's commitment to gradually shifting portfolio composition toward lower-carbon activities while managing transition in an orderly manner that supports clients and maintains financial stability.

Long-Term Commitment:

The Bank has an ambition to achieve net-zero commitment by 2050 aligned with global climate goals and Tanzania's sustainable development objectives. This commitment will be operationalized through:

- Development of interim targets once financed emissions baseline is established.
- Sector-specific decarbonization pathways.
- Client engagement on transition planning.
- Portfolio rebalancing toward low-carbon activities.
- Green finance product development.

Looking ahead, the Bank recognises that managing transition risk effectively requires clear targets and a credible trajectory toward a lower-carbon portfolio. The Bank has therefore set out an initial set of transition-related objectives and commitments.

In the near term, the Bank intends to reduce its exposure to carbon-intensive assets by 2026, as part of a gradual, orderly shift in portfolio composition towards lower-carbon activities. This portfolio decarbonisation objective will be refined as the Bank improves its ability to identify and track exposures to carbon-intensive sectors and to distinguish between borrowers that are actively transitioning and those that are not. The Bank's approach is to manage this transition in a way that supports clients and preserves financial stability, rather than through abrupt withdrawals of finance.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.8 Climate-Related Transition Risk (Continued)

Long-Term Commitment:

Over the longer term, the Bank has articulated its ambition to align its financed emissions with a net-zero pathway by 2050, consistent with global climate goals and Tanzania's sustainable development objectives. This long-term ambition will be operationalised through:

- The establishment of interim targets once a robust financed-emissions baseline has been developed.
- Sector-specific decarbonisation pathways for the most material portfolios.
- Engagement with clients on transition planning and adaptation strategies.
- A progressive rebalancing of the portfolio towards low-carbon and climate-resilient activities; and
- The continued development of green and sustainability-linked finance products.

To support this strategic direction, the Bank is working to establish clear targets for green and sustainable finance. Specifically, it aims to expand the share of its balance sheet allocated to climate-related instruments through 2026 and to mobilize approximately TZS 100 billion in dedicated climate finance from development partners and climate finance facilities. These objectives are designed to increase the proportion of climate-positive activities within the portfolio, while the Bank develops the data, methodologies, and systems required for comprehensive measurement and management of financed emissions.

The Bank recognises that its financed-emissions disclosure capabilities are at an early stage and is committed to progressively enhancing the scope and quality of related information over the next several reporting periods, in line with PCAF guidance and IFRS S2 requirements once the Scope 3 transition relief is no longer applied.

15.9 Climate Opportunities

a) Description

The transition to a low-carbon economy creates significant opportunities for the Bank to develop new products and services, enhance operational efficiency, access new sources of capital, and strengthen its competitive position. The Bank has identified climate opportunities across four categories aligned with TCFD recommendations:

- **Products and services** - growing demand for green finance products, sustainability-linked lending and climate-related advisory services for corporate and institutional clients.
- **Markets** - access to climate finance from Development Finance Institutions (DFIs), multilateral development banks and dedicated climate funds, and participation in Tanzania's emerging sustainable finance market.
- **Resource efficiency** - opportunities to reduce operating costs and emissions through energy-efficiency measures, renewable energy and process digitalisation.
- **Resilience** - opportunities to enhance business continuity and portfolio resilience by financing climate-resilient infrastructure, water and sanitation projects and climate-smart agriculture, and by supporting clients' adaptation.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.9 Climate Opportunities (Continued)

These opportunity categories guide the Bank's strategic focus areas and investment priorities within its climate strategy.

(b) Effects on business model and value chain

Climate-related opportunities have implications across the Bank's business model and value chain.

Products and services - downstream opportunities

On the client side, the Bank sees growing demand for:

- Clean water and sanitation financing, including the KOPA MAJI product, aimed at households, communities and SMEs.
- Sustainable agriculture lending, supporting climate-resilient practices such as irrigation, drought-resistant crops and improved water management.
- Future green and social loans to finance environmental and social projects for corporate and institutional clients; and
- Potential ESG advisory services, helping clients strengthen their sustainability practices and climate risk management.

These offerings allow the Bank to support customers' transition and adaptation needs while diversifying its revenue base and aligning the loan portfolio with climate-positive activities.

Markets - partnerships and climate finance mobilisation

The Bank is positioning itself to access concessional climate finance and green credit lines from:

- The Green Climate Fund and other global climate finance facilities.
- DFIs and multilateral development banks; and
- Bilateral climate funds and other development partners.

By demonstrating robust climate risk management and disclosure, the Bank aims to mobilise around TZS 100 billion in dedicated climate finance over the medium term. This would expand lending capacity for climate-aligned projects while lowering the average cost of funds for those portfolios.

Resource efficiency - own operations

Within its own operations, the Bank is pursuing energy-efficiency and digital initiatives that are expected to generate both environmental and financial benefits. Key examples include:

- replacing conventional lighting with energy-efficient LED fixtures across the branch network.
- piloting solar power installations at selected branches to reduce dependence on grid electricity and backup generators.
- reducing paper usage through digitalisation of processes; and
- expanding digital and agency banking channels (such as TCB Popote, internet banking and the agent network), which can lower the environmental footprint associated with physical branch visits and reduce cost-to-serve.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.9 Climate Opportunities (Continued)

(b) Effects on business model and value chain (Continued)

Resilience and inclusion

By financing climate-resilient infrastructure, climate-smart agriculture and water and sanitation projects, and by extending access through digital channels, the Bank can:

- Help bolster the resilience of borrowers and communities to climate shocks.
- Contribute to national development and climate policy objectives; and
- Reinforce its role as a financial inclusion leader while gradually shifting the portfolio towards lower-carbon, more resilient activities.

(c) Effects on strategy and decision-making

Climate-related opportunities are embedded in the Bank's strategic planning and risk management frameworks.

Green assets financing as a strategic priority

The Bank's Climate-Related Financial Risk Management Policy (2025) and Strategic Plan 2024-2028 identify green assets financing as a strategic priority. In response, the Bank is:

- Expanding its product portfolio to include climate-friendly products that complement existing offerings, such as KOPA MAJI and climate-smart agriculture lending.
- Setting internal targets for green asset growth, including an objective to increase the balance of climate-related instruments over the period to 2026; and
- Building capacity to structure and manage green and sustainability-linked instruments, with a medium-term objective to establish a track record that could support future issuance of green or sustainability-linked bonds.

Climate finance mobilisation

The Bank's target to secure TZS 100 billion in dedicated climate finance from DFIs and climate funds is a central element of its transition strategy. This target shapes the Bank's engagement with external partners, as it seeks to align its policies, risk management and disclosures with the expectations of climate finance providers.

Operational decarbonisation and digital strategy

The Bank's ambitions to achieving net-zero operations by 2050, supported by interim targets for reducing non-renewable energy consumption and paper usage, affects decisions on branch investments, IT projects and procurement. For example:

- Branch refurbishment priorities take into account energy efficiency and the feasibility of solar installations.
- The digital banking strategy is explicitly linked to both financial inclusion and environmental objectives, recognising that more transactions conducted through mobile and internet channels can reduce the need for physical branch visits; and
- Procurement policies increasingly consider ESG criteria when selecting vendors, particularly for equipment and infrastructure.

These strategic choices are overseen by the Board and executive committees as part of the Bank's broader climate and sustainability agenda.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.9 Climate Opportunities (Continued)

(d) Financial effects

The Bank anticipates that pursuing climate-related opportunities will generate positive financial effects over the short, medium and long term. While many of these benefits will crystallise progressively as initiatives are scaled, management expects that:

- **Green and sustainable finance products** will create new revenue streams from green loans, sustainability-linked financing and, over time, climate-related advisory services, with the potential for premium pricing in selected segments.
- **Climate finance mobilisation** in concessional funding will lower the cost of funds for climate-aligned portfolios and support an expansion of lending for adaptation and mitigation projects.
- **Energy-efficiency and digitalisation measures** will reduce operating costs by lowering electricity and fuel consumption, decreasing paper and printing use and improving process efficiency, thereby supporting the Bank's cost-to-income ratio.
- **DFI partnerships and technical assistance** will strengthen the Bank's capabilities in climate risk management and product structuring, enhancing risk-adjusted returns on climate-aligned assets.
- **Enhanced competitive positioning** as an early mover in sustainable finance in Tanzania will support customer acquisition, deepen relationships with key stakeholders and, over the longer term, contribute positively to the Bank's franchise value and access to ESG-oriented capital.

These anticipated financial effects are linked to the climate-related metrics and targets discussed in Note 15.13 (non-GHG metrics and targets) and, in the case of operational emissions, to the Scope 1 and Scope 2 targets discussed in Note 15.14.2.

15.10 Resilience of the Bank's Strategy and Business Model in Relation to Climate-Related Risks

15.10.1 Climate scenario analysis

The Bank conducts climate-related scenario analysis as part of its Stress Testing Framework and Policy (2025) to assess the potential impacts of physical and transition risks on its lending portfolio, capital and liquidity position and operational resilience. Scenario analysis is integrated into the enterprise-wide risk management process and informs forward-looking strategic, credit and capital planning decisions.

The objectives of climate-related scenario analysis are to:

- Explore a range of plausible climate futures and their financial implications.
- Identify portfolio vulnerabilities and concentration risks.
- Inform capital planning, expected credit loss (ECL) provisioning and liquidity management.
- Test the resilience of the Bank's strategy and business model; and
- Support compliance with the Bank of Tanzania Guidelines on Climate-Related Financial Risks Management and Disclosures (2025).

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.10 Resilience of the Bank's Strategy and Business Model in Relation to Climate-Related Risks (Continued)

15.10.1 Climate scenario analysis (Continued)

Scenario framework

The current scenario framework uses internally developed scenarios tailored to Tanzania's context. While these scenarios are not yet explicitly labelled using NGFS or IPCC pathway, they are designed to capture a range of outcomes relevant to the Bank's risk profile:

- **Base case** - assumes climate events consistent with historical patterns and gradual implementation of climate-related policies and regulations. This scenario approximates a "current policies" trajectory and serves as a reference point.
- **Adverse scenario** - assumes increased frequency and severity of climate events (particularly droughts and floods) combined with accelerated, but orderly, implementation of climate policies. This scenario is broadly equivalent to a "delayed transition" with heightened physical risks.
- **Severe scenario** - assumes a major climate shock and associated economic disruption, including extreme climate events and abrupt, non-linear policy responses. This is designed as a stress scenario beyond standard pathway assumptions.

Key parameters that vary across these scenarios include the intensity and frequency of droughts and floods, the impact on agricultural output, the stringency and timing of climate policies and the knock-on effects on macroeconomic variables relevant to credit risk and capital.

Stress-testing focus and results

In 2025, climate-related stress testing focused primarily on climate-sensitive portfolios, particularly the agricultural loan portfolio, given its direct exposure to drought and rainfall variability and its importance as a channel for indirect risk to other segments (for example, Personal and Trade).

Under a set of pilot drought scenarios over a 1-3-year horizon, the Bank examined the impact of worsening climatic conditions on non-performing loans (NPLs), provisioning requirements and capital adequacy. The results of the Q1-Q3 2025 stress-testing cycle indicate that:

- In the base case, modest additional stress on the agricultural portfolio leads to a limited increase in NPLs and a manageable rise in provisions, with the capital adequacy ratio (CAR) remaining well above regulatory minimums.
- In the adverse scenario, more frequent and severe droughts result in a higher increase in NPLs and a more material impact on provisioning, but CAR still remains comfortably above the minimum regulatory requirement; and
- In the severe scenario, stress testing suggests that a prolonged and severe drought could lead to a significant increase in NPLs in climate-sensitive portfolios and require additional provisioning of approximately TZS 14.2 billion, with CAR declining but still remaining above the regulatory minimum.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.10 Resilience of the Bank's Strategy and Business Model in Relation to Climate-Related Risks (Continued)

15.10.1 Climate scenario analysis (Continued)

Stress-testing focus and results (Continued)

The Bank also reviewed liquidity resilience under these scenarios. As at 31 December 2025, the Bank maintained a strong liquidity position, with its statutory liquidity ratio above the regulatory minimum and other regulatory liquidity metrics remaining within internal and regulatory limits (see Treasury Statement in the TFRS 1 report). This provides a substantial buffer to absorb short-term deposit outflows or funding pressures that could arise from climate-related events or policy shifts. In addition to drought scenarios, the Bank assessed exposures in flood-prone regions, including Kigoma, Mwanza, Morogoro and Dar es Salaam, to understand potential impacts on borrowers, collateral and branch operations. This analysis informed the Bank's geographic risk mapping and business continuity planning.

Operational resilience testing

Scenario analysis also considers the implications of climate shocks for the Bank's own operations, including:

- extended power outages affecting branch services, ATMs and digital platforms.
- flood-related branch closures; and
- telecommunications disruptions affecting mobile and internet banking.

In response, the Bank has invested in backup generators at critical locations, enhanced disaster recovery capabilities for core banking and digital systems and updated business continuity plans to address climate-related service disruptions. The agent banking network and digital channels form an important part of the Bank's contingency arrangements in the event of localised branch disruption.

Time-horizon perspective

Alongside these quantitative stress tests, the Bank assesses the potential effects of different climate transition pathways across short-, medium- and long-term horizons. For example:

- An **accelerated transition** to net zero could, in the short term, increase transition costs for high-emission sectors and raise compliance costs for the Bank, but over the medium to long term would support a strategic shift towards sustainable finance, portfolio decarbonisation and stronger alignment with global climate goals.
- A **delayed transition with intensifying physical risks** could lead in the short term to more frequent operational disruptions and credit stress in specific regions, and over time to systemic risk in climate-vulnerable regions and sustained pressure on asset quality; and
- A **disorderly transition** with abrupt or uneven policy implementation could generate volatility in markets and borrower cash flows, increasing credit risk and compliance costs in the short term but also creating opportunities for the Bank to provide transition finance and advisory services.

These narratives complement the quantitative stress-testing results and help management and the Board interpret potential implications for the Bank's strategy and risk appetite over different timeframes.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.10 Resilience of the Bank's Strategy and Business Model in Relation to Climate-Related Risks (Continued)

15.10.2 Significant areas of uncertainty

Climate-related scenario analysis is subject to significant uncertainty in both the underlying climate and macroeconomic assumptions and the way these are translated into portfolio-level impacts. Key sources of uncertainty include:

- Climate projections - Future climate impacts on agricultural productivity and other sectors are inherently uncertain due to variability in rainfall patterns, frequency and severity of extreme events, pest outbreaks and soil degradation across different agro-ecological zones.
- Policy evolution - While the Bank of Tanzania and NBAA have issued guidance on climate-related risk management and sustainability reporting, the pace, scope and stringency of future policy measures (for example, climate-related capital.
- Requirements or mandatory financed-emissions targets) are not yet fully defined.
- Carbon pricing and regulatory instruments - The timing, design and level of any future carbon pricing mechanisms or emissions standards in Tanzania remain unclear, making it difficult to forecast transition risk impacts for specific sectors.
- Technology pathways - The pace at which low-carbon technologies (such as renewable energy, electric vehicles and energy-efficient industrial equipment) are adopted in Tanzania will influence transition risks and opportunities but is subject to uncertainty.
- Borrower adaptation - The capacity and willingness of borrowers to adapt to physical and transition risks, for example by investing in resilience measures or new technologies, varies widely and is difficult to predict at a granular level.
- Data limitations - Incomplete GPS location data for collateral, limited borrower-level emissions information and a sector classification that was not originally designed for climate risk analysis constrain the precision of the Bank's physical and transition risk assessment.

Given these uncertainties, the Bank uses climate scenario analysis primarily to explore ranges of possible outcomes, rather than to produce point forecasts. The results are used to highlight vulnerabilities, inform management judgement and support capital and liquidity planning, rather than to drive fully mechanistic model outputs.

15.10.3Capacity to adjust or adapt strategy and business model.

Overall, the results of the Bank's climate-related scenario analysis indicate that its current strategy and business model are resilient to moderate levels of climate risk, while highlighting areas where further adaptation and investment are warranted.

Strategic resilience

Key indicators of resilience include:

- Capital adequacy - Under the scenarios tested to date, including severe climate stress focused on the agricultural portfolio, the Bank maintains capital ratios above minimum regulatory requirements, albeit with reduced headroom under the most adverse conditions.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.10 Resilience of the Bank's Strategy and Business Model in Relation to Climate Related Risks (Continued)

15.10.3 Capacity to adjust or adapt strategy and business model (Continued)

Strategic resilience (Continued)

- Liquidity position - As described in Note 15.8.5, the Bank maintained a strong liquidity position at 31 December 2025, providing a substantial buffer against short-term liquidity stress from climate-related shocks.
- Portfolio diversification - Diversification across sectors and regions helps to mitigate concentration risk, although the Bank's exposure to Dar es Salaam and certain climate-sensitive regions requires ongoing monitoring and proactive portfolio management.
- Operational resilience - Business continuity plans, backup power infrastructure and digital channels support the Bank's ability to maintain critical services during climate-related disruptions.

Capacity to adjust strategy.

The Bank's ability to adjust or adapt its strategy in response to climate-related developments is supported by several factors:

- Capital allocation flexibility - The Strategic Plan 2024-2028 and the Enterprise-Wide Risk Management Framework (2025) allow for the reallocation of capital towards climate-resilient sectors and green finance initiatives, while gradually reducing exposures to sectors with elevated climate risk.
- Governance oversight - Climate-related risks and opportunities are regularly reviewed by the Risk and Control Committee (chaired by the CEO) and the Board Audit, Risk Management and Compliance Committee, ensuring th
- Strategic responses to climate scenarios receive appropriate oversight and challenge.
- Operational readiness - Investments in digital infrastructure, agent banking and business continuity management support the Bank's capacity to continue serving customers under a range of climate conditions and to deliver lower-carbon service channels.
- Product innovation - The Lending Manual (2025) and climate policies provide a framework for developing new products aligned with ESG criteria, such as climate-smart agriculture finance, clean water and sanitation loans and future green and sustainability-link
- Client engagement - Tools such as the ESG Compliance Questionnaire Checklist provide a basis for engaging borrowers on their climate risks and adaptation plans and will support the Bank's ability to design transition-supportive financing solutions.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

5.10 Resilience of the Bank's Strategy and Business Model in Relation to Related Risks (Continued)

5.10.3 Capacity to adjust or adapt strategy and business model (Continued).

In an accelerated transition scenario, the Bank expects to be able to redirect capital towards financing low-carbon technologies and renewable energy projects, invest in climate risk management capabilities and expand advisory services to support clients' transition strategies. In a delayed transition with intensifying physical risks, the Bank would place greater emphasis on building resilience, including enhanced insurance coverage, climate-resilient infrastructure, additional provisioning buffers and inveestment in climate data infrastructure to improve risk assessment and portfolio monitoring.eIn all cases, capital allocation decisions are guided by the Bank's climate strategy, risk appetite and regulatory requirements, and the Bank is committed to disclosing the implications of climate-related risks and opportunities for its strategy in accordance with IFRS S2.

5.11 Processes, controls and policies to manage climate-related risks and opportunities.

The processes used to identify, assess, prioritise and monitor climate-related risks and opportunities form part of the Bank's broader risk management framework described in Note 15.7.9. Climate-related matters are embedded within the existing three-lines-of-defense model and are overseen by the Risk and Control Committee (RCC) and the Board Audit, Risk Management and Compliance Committee (BARCC).

The Bank follows a structured approach to managing climate-related risks, supported by a set of policies and tools, including the Climate-Related Financial Risk Management Policy (2025), the Enterprise-Wide Risk Management Framework (2025), the Environmental and Social Governance Policy and the Lending Manual (2025).

Identification and assessment

Management identifies climate-related risks and opportunities through:

- Analysis of the loan portfolio by sector and region, with particular focus on climate-sensitive sectors (such as agriculture, transport and communication, building and construction and manufacturing) and concentrations in high-risk regions (for example, Dar es Salaam and flood- or drought-prone areas).
- Review of internal risk and strategy documents, including the Enterprise-Wide Risk Management Framework, stress-testing results, and sector and regional NPL trends.
- Use of climate-related scenario analysis and stress testing, as described in Note 15.11, to understand how physical and transition risks could affect credit quality, capital and liquidity under a range of plausible climate futures; and
- Application of the ESG Compliance Questionnaire Checklist in higher-risk sectors to gather borrower-specific information on exposure to climate hazards, energy use, emissions intensity and adaptation measures.

These processes are used to identify both physical risks (for example, droughts, floods and heat stress) and transition risks (for example, regulatory changes, technology shifts and market preferences) that could affect the Bank's prospects.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.11 Processes, controls and policies to manage climate related risks and opportunities (Continued).

Prioritisation and management

Identified climate-related risks are prioritised based on their potential impact on credit quality, capital and liquidity, their likelihood and the time horizon over which they could materialise. This prioritisation is reflected in:

- The classification of climate-related financial risk as an emerging risk within the Enterprise-Wide Risk Management Framework.
- Risk appetite and concentration monitoring for climate-sensitive sectors and regions; and
- Enhancements to credit policies and underwriting standards, including the requirement to assess environmental and social aspects and climate-related vulnerabilities for new lending.

Management actions to address priority risks may include enhanced due diligence, more conservative lending terms, portfolio rebalancing, targeted stress testing and investment in resilience and business continuity measures.

Monitoring and reporting

Climate-related risks are monitored through regular risk reporting and oversight processes:

- Sector and regional exposures, including those identified as climate-sensitive, are monitored by the Directorate of Risk Management and Compliance and reported to RCC and BARCC.
- Climate-related stress-testing results and key findings are presented to RCC and BARCC and are considered in provisioning, capital and liquidity planning.
- Implementation of climate-related policies and initiatives (for example, ESG screening in credit, development of climate-aligned products, energy-efficiency projects) is tracked and reported as part of the Bank's strategic and risk management reporting.

These monitoring activities provide a feedback loop into strategic planning, risk appetite setting and business decision-making.

Opportunities and integration into strategy

In addition to managing risks, the Bank applies similar processes to identify and assess climate-related opportunities, such as:

- Demand for green and sustainable finance products (for example, climate-smart agriculture, clean water and sanitation, energy efficiency and, in the future, renewable energy and green buildings).
- Access to concessional climate finance and technical assistance from DFIs and climate funds; and
- Opportunities to reduce operating costs and emissions through energy-efficiency and digital-channel initiatives.

The analysis of these opportunities is integrated into the Bank's strategic planning and product development activities and informs the setting of climate-related targets, as described in Notes 15.8. This integration helps to ensure that climate-related risks and opportunities are considered together and that climate considerations are aligned with the Bank's broader strategic objectives and risk appetite.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.12 Metrics and targets (non-GHG emissions)

The Bank has developed a range of non-GHG climate-related metrics and targets to monitor its exposure to climate-related risks and opportunities, track the implementation of its climate strategy and support decision-making. These metrics cover:

- Operational performance (energy use, paper usage, equipment and branch upgrades).
- Portfolio and financing activities (green assets, climate finance mobilisation, portfolio composition); and
- Risk management processes (ESG screening, stress testing and methodology development).

Since this is the Bank's first sustainability report and it is still in the process of fully embedding sustainability into its operations, the Bank is establishing mechanisms that will allow for active tracking of these targets by 2026. The targets are outlined below.

15.12.1 Climate-related targets (non-GHG)

Operational emissions-related targets

The Bank has set the following operational targets to support decarbonisation and resource efficiency. These targets are non-GHG metrics but directly influence Scope 1 and Scope 2 emissions over time.

Operational climate-related targets

Target	Metric	Baseline Year	Target Year	Current Status
Non-Renewable Energy Reduction	20% reduction in non-renewable energy consumption	2024	2026	In progress
Paper Usage Reduction	50% reduction in paper usage through digitization	2024	2026	41% reduction achieved (September 2025)
Asset Modernization	Retire 10% of high-emission machinery	2024	2026	In progress
LED Lighting Coverage	100% of branches with LED lighting	2024 (68.3%)	2026	69.5% achieved (September 2025)
Solar Power Expansion	Increase branches with solar installations	2024 (2 branches)	Ongoing	2 branches operational; expansion planned
Net Zero Operations	Achieve carbon neutral operations	2024	2050	Long-term commitment

These targets reflect both environmental responsibility and the business case for improved operational efficiency. Progress is monitored through internal reporting and reviewed by management and the Board as part of the implementation of the Climate-Related Financial Risk Management Policy (2025).

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.12 Metrics and targets (non-GHG emissions) (continued)

15.12.1 Climate-related targets (non-GHG) (continued)

In support of its portfolio transition strategy, the Bank has set the following targets:

Portfolio and financing-related targets

Target area	Metric	Baseline Year	Target Year	Status
Green Asset Growth	Grow balance sheet with climate-related instruments by 10%	2024	2026	In progress
Climate Finance Mobilization	Secure TZS 100 billion in dedicated climate finance (e.g., Green Climate Fund)	2024	2026	In progress
Portfolio Decarbonization	Reduce lending to carbon-intensive assets by 5%	2024	2026	In progress
Sustainable Procurement	50% of qualified vendors to comply with ESG criteria	2024	2026	In progress
Net Zero Financed Emissions	Achieve net-zero financed emissions	2024	2050	Long-term commitment

These targets are designed to shift portfolio composition towards climate-positive activities while the Bank develops capabilities for comprehensive financed-emissions measurement and management. The decarbonisation target will be refined as financed-emissions baselines and PCAF-aligned methodologies are developed (see Note 15.14.2).

Risk management targets.

The Bank also uses targets related to climate risk management processes:

Climate risk management process targets

Target	Metric	Baseline Year	Target Year	Status
ESG Screening Coverage	Full ESG screening for all loans above TZS 100 million	2024	2026	In progress, ESG Compliance Questionnaire implemented July 2025
Climate Stress Testing	Quarterly climate scenario analysis on climate-sensitive portfolios	2024	Ongoing	Operational; Q1-Q3 2025 completed
Financed Emissions Methodology	PCAF-aligned methodology for measuring financed emissions	N/A	2027-2029	Development in progress

These targets support the Bank's objective of embedding climate-related considerations into core risk management processes and credit decision-making.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.12 Metrics and targets (non-GHG emissions) (continued)

15.12.1 Climate-related targets (non-GHG) (continued)

Target-setting approach and baseline year.

The targets above have been developed by management to measure progress in managing climate-related risks and capturing climate-related opportunities over the short, medium and long term. They support strategic goals in the Strategic Plan 2024-2028, particularly those related to sustainable finance, operational resilience and responsible lending.
Key elements of the target-setting approach are:

- **Governance** - Targets are approved by senior management and overseen by BARCC. Progress is reported through internal risk and strategy reporting on at least a quarterly basis.
- **Alignment** - Targets are aligned with the Climate-Related Financial Risk Management Policy (2025) and the Strategic Plan 2024-2028.
- **Assumptions** - Targets are informed by internal data, pilot stress tests on agricultural and other climate-sensitive portfolios (Q1-Q3 2025) and sectoral benchmarks where available.
- **Validation** - Targets, metrics and methods have not yet been validated by an external third party.
- **Review** - Targets will be reviewed annually and updated as needed in light of progress, data availability and evolving regulatory and market expectations.

Because this is the Bank's first year of establishing formal climate-related targets, 2024 serves as the baseline year for most metrics. Comparative performance data will become available from the 2025 reporting period onwards.

Over time, as data and modelling capabilities improve, the Bank intends to:

- Consider setting science-based targets aligned with 1.5°C or well-below-2°C pathways.
- Establish sector-specific decarbonisation trajectories for the lending portfolio; and
- Define interim milestones towards the 2050 net-zero commitment for financed emissions and operations.

15.12.2 Current performance against non-GHG targets

As this is the first year in which the Bank is reporting climate-related targets, there are no comparative periods for full trend analysis. However, management tracks progress against key operational and process targets internally.

Examples of current performance (September 2025)

- Paper usage reduction - A 41% reduction in paper usage has been achieved (from 17,075 reams in March 2025 to 10,086 reams in September 2025), indicating that the 50% reduction target by 2026 is on track.
- LED lighting coverage - Approximately 69.5% of branches (57 of 82) have been converted to LED lighting, with further work planned to achieve 100% coverage by 2026.
- Solar power - Solar installations are operational at two branches, with expansion under consideration.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.12 Metrics and targets (non-GHG emissions) (Continued)

15.12.2 Current performance against non-GHG targets (Continued)

- ESG screening - The ESG Compliance Questionnaire Checklist, implemented in July 2025, is being rolled out for loans in higher-risk sectors and will be extended to ensure full coverage for loans above TZS 100 million.
- Climate stress testing - Climate-related stress testing was conducted for Q1, Q2 and Q3 2025 in accordance with the Stress Testing Framework and Policy (2025) and is expected to continue on a quarterly basis.

These early results support management's assessment that the Bank is progressing towards its operational and process-oriented climate targets; while recognising that sustained effort and investment will be required to achieve longer-term objectives such as net-zero operations and net-zero financed emissions.

15.12.3 Cross-industry and industry-specific climate metrics (non-GHG)

In line with IFRS S2 and the SASB Standards for Commercial Banks, the Bank discloses additional non-GHG climate-related metrics covering physical risk exposure, transition risk exposure, climate-related opportunities and capital deployment.

Climate-related physical risk exposure

- **Assets in climate-vulnerable regions** - Significant exposure in Dar es Salaam, a coastal city exposed to flooding and potential sea-level rise; other regions such as Kigoma, Mwanza and Morogoro have experienced historical flooding incidents.
- **Agricultural sector exposure** - Lending to agriculture and related value chains, which is highly sensitive to drought and rainfall variability (see Note 15.2).

Climate-related transition risk exposure

- Exposures to transport and communication, manufacturing and mining and quarrying sectors, which are more exposed to transition drivers such as fuel costs, energy efficiency standards, regulatory restrictions and potential stranded-asset risk (see Note 15.2).

These exposures are monitored as part of the Bank's risk management and are considered in setting risk appetite, concentration limits and portfolio rebalancing actions.

Climate-related opportunities and capital deployment

The Bank also tracks metrics related to climate-related opportunities and associated capital deployment, including:

- Exposure to ESG-aligned sectors such as sustainable agriculture, education, health, water and sanitation, renewable energy and social housing.
- The green finance pipeline, including potential projects in renewable energy, energy efficiency, water and sanitation, climate-smart agriculture and green buildings; and
- Climate-related capital expenditure, such as investments in LED lighting, solar installations, digital infrastructure and climate risk systems.

These metrics support management's understanding of how capital is being deployed to support the Bank's climate strategy and how the portfolio is evolving towards climate-aligned and climate-resilient activities. More detailed information on GHG-related metrics and targets, including Scope 1 and Scope 2 emissions, is provided in Note 15.14.2.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.13 GHG Emissions and Climate Metrics

15.13.1 Summary of GHG emissions

The Bank discloses Scope 1 and Scope 2 greenhouse gas (GHG) emissions for the year ended 31 December 2025. Scope 3 emissions, including financed emissions, are not disclosed in this first reporting period in accordance with the transition relief in IFRS S2 paragraph C4(b) (see Notes 15.1, and 15.14.2).

Summary of Scope 1 and Scope 2 GHG emissions (2025)

Scope	Category	Emissions (t CO_2E)	% of total
Scope 1	Direct emissions (motor vehicles, generators)	332.00	11%
Scope 2	Indirect emissions (electricity)	1,287.00	89%
	Total (Scope 1 + 2)	**1,618.00**	**100%**

(a) Methodology, inputs and assumptions

The Bank measures its GHG emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (2004), unless otherwise required by IFRS S2.

- The organisational boundary for GHG reporting is determined using the operational control approach (see Note 15.3). Emissions from operations over which the Bank has operational control including branches, head office, leased premises, backup generators and company vehicles are included.
- Scope 1 covers direct emissions from fuel combustion in backup generators and company vehicles.
- Scope 2 covers indirect emissions from the generation of purchased electricity consumed in the Bank's branches, head office and other facilities.
- Scope 3 emissions, including financed emissions (Category 15), are not disclosed in this first reporting period because the Bank has elected to apply the transition relief in IFRS S2 paragraph C4(b). The Bank is developing methodologies aligned with the Partnership for Carbon Accounting Financials (PCAF) standard and intends to disclose Scope 3 emissions once data, methodologies and systems are sufficiently mature.

Due to current limitations in metering and data granularity at all locations, the Bank uses a cost-based calculation approach to derive activity data for fuel and electricity, as described below.

(b) Activity data

Scope 1 and Scope 2 emissions are calculated using the following activity data:

- **Scope 1 - fuel consumption**
  - Primary data are obtained from supplier invoices and generator logbooks. Where volumes (litres) are not directly available for all sites, they are estimated from fuel costs using an average diesel price of 2,852 TZS per litre.
  - Fuel volumes are then converted to emissions using the emission factor in section (c) below.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.13 GHG Emissions and Climate Metrics (Continued)

15.13.1 Summary of GHG emissions (Continued)

- Scope 2 - electricity consumption
    - Electricity consumption is derived from TANESCO utility bills and financial records.
    - The resulting kWh figures are converted to emissions using the emission factor in section (c) below.

All activity data used in the 2025 GHG calculations are recorded in the Bank's internal emissions and summarised in Note 15.13.

(c) Emission factors

The Bank applies standard emission factors to convert activity data into GHG emissions:

- For diesel fuel used in company vehicles and backup generators (Scope 1), an emission factor of 2.91 kg CO_2 per litre for stationery combustion (generators) and 2.29 kg CO_2 per litre for mobile combustion (vehicles), based on recognised international guidance. Greenhouse gas (GHG) emissions were then calculated per the Scope I emission guidelines outlined by the GHG protocol using the standard emission factor.
- For purchased electricity (Scope 2), a location-based emission factor of 0.34 kg CO_2e per kWh is applied, reflecting the estimated average emissions intensity of the Tanzanian power grid. Calculations employed the Tanzanian grid emission factor of 0.34 kgCO2e/kWh to determine associated CO_2 emissions as stipulated by the National Carbon Monitoring Centre (NCMC), which serves as the central hub for carbon data and reporting.

Emission factors are reviewed periodically to ensure ongoing relevance and consistency with the best available national or international data. Any material change in emission factors or methodology will be disclosed in future reporting periods.

15.13.2 Metrics and targets (GHG-related)

The Bank is at an early stage of setting explicit GHG-related targets. However, operational and portfolio targets disclosed in Note 15.14.2 (for example, non-renewable energy reduction, paper reduction, asset modernisation and green asset growth) are expected to drive Scope 1 and Scope 2 emissions performance over time.

For 2025:

- Total Scope 1 and Scope 2 emissions are 1,618 tCO_2e, as shown in tables under Note 15.14.2.
- These emissions serve as an initial operational baseline, to be refined further as metering coverage and data quality improve.

The Bank has articulated the following long-term GHG-related commitments:

- A commitment to achieve net-zero operations by 2050, supported by interim operational targets such as energy-efficiency improvements, solar installations and reductions in non-renewable energy consumption; and
- A commitment to align financed emissions with a net-zero pathway by 2050, once financed-emissions baselines and PCAF-aligned methodologies have been established (see Note 15.13 for current non-GHG portfolio targets).

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.13 GHG Emissions and Climate Metrics (Continued)

15.13.2 Metrics and targets (GHG-related) (Continued)

These commitments will be operationalised through:

- The development of quantitative emissions reduction targets for Scope 1 and Scope 2 once several years of consistent baseline data are available.
- Progressive implementation of energy-efficiency and renewable energy initiatives in branches and head office.
- Detailed financed-emissions measurement and sector-specific decarbonisation pathways, once Scope 3 reporting is implemented; and
- Periodic review of climate-related metrics and targets by management and the Board.

Scope 3 emissions and transition relief

Scope 3 emissions, including financed emissions from loans and investments, are not disclosed in this first reporting period. The Bank has applied the transition relief in IFRS S2 paragraph C4(b) and is:

- Designing methodologies aligned with the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry.
- Enhancing data collection and client engagement processes to obtain reliable activity and emissions data from borrowers; and
- Developing systems and controls to support calculation, assurance and disclosure of Scope 3 emissions.

The Bank intends to expand its GHG metrics and targets to include Scope 3, including financed-emissions intensity and reduction targets, once this foundation is in place and the transition relief is no longer applied. Specific quantitative Scope 1 and Scope 2 reduction targets will be set once several years of consistent baseline data are available; for now, operational targets in Note 15.14.2 are expected drive emissions reductions.

15.14 Specific disclosures required by the Bank of Tanzania's guidelines on reporting of sustainability - related risks and opportunities for banks and financial institutions, 2025.

As mentioned in Note 15.1, the bank has applied a transition relief to focus on climate related sustainability risks and opportunities in its first year of reporting as permitted by IFRS S1.

However, to comply with the requirements of the Bank of Tanzania's guidelines on reporting of sustainability - related risks and opportunities for banks and financial institutions, 2025, the following specific disclosures have been provided.

The topics and metrics in the table below correspond to disclosure topics in the SASB Commercial Banks Standard (FN-CB), which the Bank has used as a reference in complying with the Bank of Tanzania's guidelines.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.14 Specific disclosures required by the Bank of Tanzania's guidelines on reporting of sustainability - related risks and opportunities for banks and financial institutions, 2025(Continued)

BOT-specified SASB metrics and related disclosures

Topic	Required Metrics	Details
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	Refer to Note 15.9
Emissions	Absolute gross emissions, disaggregated by Scope 1, Scope 2, and Scope 3	Refer to Note 15.14.2
Data Security	Number of data breaches	None that has been reported.
	Percentage that are personal data breaches	None that has been reported
	Number of account holders affected	None that has been reported
	Description of approach to identifying and addressing data security risks	Tanzania Commercial Bank applies a structured approach to managing data security risks to protect customer, financial, and operational information and to support business continuity which includes. Risk Assessment: Regular information security risk assessments are conducted to identify vulnerabilities, emerging threats, and potential impacts on critical systems.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.14 Specific disclosures required by the Bank of Tanzania's guidelines on reporting of sustainability - related risks and opportunities for banks and financial institutions, 2025(Continued)

BOT-specified SASB metrics and related disclosures (Continued)

Topic	Required Metrics	Details
		Incident Reporting Procedure: A formal incident reporting and response framework is in place to ensure timely detection, escalation, investigation, and resolution of security incidents. Intrusion Detection and Prevention: Intrusion Detection Systems (IDS) and Intrusion Prevention Systems (IPS) are deployed to monitor network activity, detect suspicious behaviour, and automatically prevent potential cyber threats
Financial Inclusion & Capacity Building	Number of loans outstanding that qualify for programmes designed to promote small business and community development	294 loans
	Amount of loans outstanding that qualify for programmes designed to promote small business and community development	TZS 15,621,206,545
Financial Inclusion & Capacity Building	Number of past due and nonaccrual loans or loans subject to forbearance that qualify for programmes designed to promote small business and community development	71 loans

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.14 Specific disclosures required by the Bank of Tanzania's guidelines on reporting of sustainability - related risks and opportunities for banks and financial institutions, 2025(Continued)

BOT-specified SASB metrics and related disclosures (Continued)

Topic	Required Metrics	Details
Financial Inclusion & Capacity Building	Amount of past due and nonaccrual loans or loans subject to forbearance that qualify for programmes designed to promote small business and community development	TZS 3,940,058,279
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	93,743 accounts
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	5,980 participants
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anticompetitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	TZS 182,831,213.23
	Description of whistleblower policies and procedures.	TCB has a formal Whistleblowing process designed to promote a culture of integrity, transparency, and ethical conduct across all operations. The process provides a secure and confidential mechanism for employees, customers, vendors, and other stakeholders to report suspected misconduct, unethical behavior,

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.14 Specific disclosures required by the Bank of Tanzania's guidelines on reporting of sustainability - related risks and opportunities for banks and financial institutions, 2025(Continued)

BOT-specified SASB metrics and related disclosures (Continued)

Topic	Required Metrics	Details
	Description of whistleblower policies and procedures.	regulatory breaches, fraud, corruption, or violations of the Bank's internal policies and applicable laws. Multiple Reporting Channels The Bank provides several secure and accessible channels for reporting concerns, including: • Dedicated whistleblower email address • Anonymous Online Whistleblower Submission Portal Accessible to all staffs. Confidentiality and Anonymity All whistleblower reports are treated with strict confidentiality. The Bank allows anonymous reporting were permitted by law and ensures that the identity of the whistleblower is protected throughout the investigation process. Protection Against Retaliation TCB has a zero-tolerance standing toward retaliation. Any form of victimization, discrimination, or adverse action against a whistleblower acting in good faith is strictly prohibited and may result in disciplinary action. Independent Investigation Process All reported cases are reviewed and investigated promptly and objectively by the appropriate independent function.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. SUSTANABILITY REPORT AND DISCLOSURE (CONTINUED)

15.14 Specific disclosures required by the Bank of Tanzania's guidelines on reporting of sustainability - related risks and opportunities for banks and financial institutions, 2025(Continued)

BOT-specified SASB metrics and related disclosures (Continued)

Topic	Required Metrics	Details
Systemic Risk Management	Description of approach to integrate results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Tanzania Commercial Bank incorporates the results of both mandatory regulatory stress tests and internally conducted climate-related stress tests into its capital planning, strategy, and day-to-day business activities. Climate-related financial risks are assessed through scenario analyses that estimate their impact on key financial indicators, including Capital Adequacy Ratio (CAR) and profitability. The results are incorporated into capital adequacy computations and reported to senior management and the Board. The Board reviews the outcomes and approves appropriate mitigation measures, which may include adjustments to capital buffers, portfolio rebalancing, sector exposure limits, and enhanced credit risk management practices. Stress testing results are also integrated into the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and long-term capital planning.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

16. STATEMENT OF COMPLIANCE

The report by Those Charged with Governance has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (The Report by Those Charged with Governance). This standard replaces TFRS 1 on the Directors' report that was issued by NBAA on 1 January 2010. The standard became operative for financial statements covering accounting periods beginning on or after 1 January 2022.

The external auditor is tasked with providing assurance on the accuracy and consistency of all information contained in this report and reflected in the financial statements. It is the responsibility of the Board of Directors of Tanzania Commercial Bank to prepare financial statements that present a true and fair view in compliance with all relevant standards, rules, regulations, and legal requirements. This responsibility extends from the start of the financial year up to the date on which the Board approves the audited financial statements and applies to all individuals who served on the Board at any time during the reporting period.

17. AUDITORS

The Controller and Auditor-General ("CAG") is the statutory auditor for Tanzania Commercial Bank Public Limited Company pursuant to the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005), and Sections 30 - 33 of the Public Audit Act, [CAP.418 R.E 2021]. Deloitte & Touche, Certified Public Accountants (Tanzania) were appointed by the CAG to audit the Bank's financial statements jointly, pursuant to Section 33 of the Public Audit Act, [CAP. 418 R.E 2021]. Deloitte & Touche, staff with PF No 025 and Taxpayer Identification Number (TIN) 100-148-692 is an audit firm registered with the National Board of Accountants and Auditors of Tanzania (NBAA).

BY ORDER OF THE BOARD

Mr. Martin E. Kilimba
Chairman

29 March 2026

Mr. Adam C. Mihayo
Chief Executive Officer

STATEMENT OF RESPONSIBILITIES BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2025

The Companies Act, 2002 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. The financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania. The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Bank and of its financial results in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement. To enable the Directors to meet these responsibilities they set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known risks across the Bank. While operating risk cannot be fully eliminated, the Bank endeavors to minimize it by ensuring the appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Nothing 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 this statement.

Signed on behalf of the Board of Directors by:

Mr. Martin E. Kilimba
Chairman

29 March 2026

Mr. Adam C. Mihayo
Chief Executive Officer

DECLARATION OF 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 financial statements to be accompanied with a Statement of Declaration issued by the Head of Finance responsible for the preparation of financial statements of the Bank concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of a Bank showing true and fair view position of the Bank in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I, **CPA Andrew T. Mlingi,** being the Chief Financial Officer of Tanzania Commercial Bank Public Limited Company hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2025 have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

I thus confirm that the financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania as on that date and that they have been prepared based on properly maintained financial records.



29 March 2026

Signed by: Andrew T. Mlingi
Chief Financial Officer

NBAA Member No: ACPA4981

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Notes	2025	2024
Assets		**TZS '000**	**TZS '000**
Cash and balances with Bank of Tanzania	18	299,972,120	222,113,529
Cheques and items for collection	19	375,000	178,912
Placements and balances with other banks	20	80,687,768	95,561,550
Treasury bills	21	187,579,145	79,953,363
Treasury bonds	22	140,638,770	129,214,637
Loans and advances to customers	23(a)	1,472,232,347	1,137,048,515
Other assets	24	35,854,500	30,039,104
Deferred tax asset	25	15,277,154	11,814,120
Tax recoverable	17(c)	658,022	920,967
Intangible assets	26	1,861,298	1,574,381
Property and equipment	27	20,456,159	19,577,598
Right-of-use assets	28(a)	17,226,560	10,328,655
Total assets		2,272,818,843	1,738,325,331
Liabilities and equity			
Customer deposits	29	1,662,267,890	1,303,419,571
Balances due to other banks	30	187,661,062	197,456,069
Borrowings	31	180,511,282	33,687,253
Lease liabilities	28(b)	13,511,730	6,069,641
Other liabilities	32	37,890,704	37,978,803
Revenue grant	33	440,669	204,641
Staff benefit obligation	34	10,675,911	8,816,815
Total liabilities		2,092,959,248	1,587,632,793
Equity			
Share capital	35	80,028,561	80,028,561
Other reserves		2,104,510	2,104,510
Defined benefit reserve		(3,653,881)	(2,219,506)
Retained earnings		101,380,405	70,778,973
Total equity		179,859,595	150,692,538
Total liabilities and equity		2,272,818,843	1,738,325,331

The accompanying notes form an integral part of these financial statements. The financial statements on pages 99 to 183 were approved and authorized for issue by the Board of Directors on 29 March 2026 and signed on its behalf by:

Mr. Martin E. Kilimba
Chairman

Mr. Adam C. Mihayo
Chief Executive Officer

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

	Notes	2025 TZS'000	2024 TZS'000
Interest and similar income	7	217,249,308	178,860,234
Interest and similar expense	8	(81,387,922)	(57,958,533)
Net interest income		135,861,386	120,901,701
Impairment credit on financial instruments	9	8,677,283	4,083,139
Net interest income after impairment		144,538,669	124,984,840
Fees and commission income	10	42,208,500	27,537,971
Fees and commission expense	11	(17,977,417)	(9,081,201)*
Net fee and commission income		24,231,083	18,456,770
Foreign exchange income	12	9,561,434	9,559,812
Other income	13	3,728,134	10,471,309
Net operating income		**182,059,320**	**163,472,731**
Administrative expenses	14	(124,798,519)	(109,894,156)*
Depreciation and amortization	15	(9,531,506)	(9,642,732)
Profit before tax		**47,729,295**	**43,935,843**
Income tax expense	17(a)	(12,127,863)	(12,297,317)
Profit for the year		**35,601,432**	**31,638,526**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/ gain from defined benefit obligation	34	(2,049,107)	208,555
Tax thereon		614,732	(62,567)
Other comprehensive (loss)/ income, net of tax		(1,434,375)	145,988
Total comprehensive income for the year		**34,167,057**	**31,784,514**

*Comparative figures are restated and have been disclosed under note 11 and 14 of the financial statements.

The accompanying notes form an integral part of these financial statements. The financial statements on pages 99 to 183 were approved and authorized for issue by the Board of Directors on 29 March 2026 and signed on its behalf by:

Mr. Martin E. Kilimba
Chairman

Mr. Adam C. Mihayo
Chief Executive Officer

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

	Share capital TZS '000	Other reserve (acquired in business combination) TZS '000	Defined benefit reserve TZS '000	Retained earnings TZS '000	Total TZS '000
At 1 January 2024	80,028,561	2,104,510	(2,365,494)	39,140,447	118,908,024
Profit for the year	-	-	-	31,638,526	31,638,526
Other comprehensive loss, net of tax	-	-	145,988	-	145,988
At 31 December 2024	80,028,561	2,104,510	(2,219,506)	70,778,973	150,692,538
At 1 January 2025	80,028,561	2,104,510	(2,219,506)	70,778,973	150,692,538
Profit for the year	-	-	-	35,601,432	35,601,432
Other comprehensive income, net of tax	-	-	(1,434,375)	-	(1,434,375)
Dividend paid	-	-	-	(5,000,000)	(5,000,000)
At 31 December 2025	80,028,561	2,104,510	(3,653,881)	101,380,405	179,859,595

The accompanying notes form an integral part of these financial statements. The financial statements on pages 99 to 183 were approved and authorized for issue by the Board of Directors on 29 March 2026 and signed on its behalf by:

Mr. Martin E. Kilimba
Chairman

Mr. Adam C. Mihayo
Chief Executive Officer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 TZS '000	2024 TZS '000
Cash used in operations	36	(75,454,511)	(29,740,409)*
Interest received		204,135,856	174,099,893
Interest paid		(68,919,196)	(49,621,613)
Employee benefit paid during the year	34	(2,080,780)	(1,643,175)
Tax paid	17(c)	(14,713,220)	(9,546,365)
Net cash generated from operations		42,968,149	83,548,331
Cash flows from investing activities			
Purchase of intangible assets	26	(312,697)	(253,997)
Purchase of property and equipment	27	(5,049,481)	(5,021,456)
Proceeds from disposal of property and equipment and intangible assets		-	131,330
Proceeds from treasury bills	21	75,273,250	20,000,000
Investment in treasury bills	21	(179,258,890)	(80,096,301)
Proceeds from treasury bonds	22	-	11,000,000
Investment in treasury bonds	22	(9,866,280)	(12,518,680)
Net cash used in investing activities		(119,214,098)	(66,759,104)
Cash flows from financing activities			
Payments on lease liability - principal	28(b)	(5,445,899)	(6,136,876)
Dividend paid		(5,000,000)	-
Proceeds from borrowings	31	145,244,659	33,470,000
Repayment on borrowings - principal	31	(840,435)	(12,000,000)
Grant received	33	-	200,611
Net cash generated from financing activities		133,958,325	15,533,735
Net increase in cash and cash equivalents		57,712,376	32,322,962
Cash and cash equivalents at 1 January		224,590,457	192,359,957
Effect of foreign exchange rate changes		(953,513)	(92,462)
Cash and cash equivalents at 31 December		281,349,320	224,590,457
Analysis of cash and cash equivalents at 31 December			
Cash and balances with Bank of Tanzania	18	299,983,347	222,121,256
Statutory Minimum Reserve (SMR)	18	(99,887,490)	(93,369,513)
Placements with other banks	20	80,878,463	95,659,802
Cheques and items in the course of collection	19	375,000	178,912
		281,349,320	224,590,457

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with maturity of 90 days or less from the date of acquisition including: cash and balances with Bank of Tanzania and placement with other banks.

*Comparative figures are restated and have been disclosed under note 36 of the financial statements.

The accompanying notes form an integral part of these financial statements. The financial statements on pages 99 to 183 were approved and authorized for issue by the Board of Directors on 29 March 2026 and signed on its behalf by

Mr. Martin E. Kilimba
Chairman

Mr. Adam C. Mihayo
Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1. REPORTING ENTITY

Tanzania Commercial Bank Public Limited Company is domiciled in the United Republic of Tanzania. It was incorporated as Limited Liability Company on 29 March 2016 and took over the business of the former Tanzania Postal Bank following the repeal of Tanzania Postal Bank Act No. 11 of 1991 on 29 May 2015. The Bank is licensed under the Banking and Financial Institutions Act, 2006 and regulated by the Bank of Tanzania. The addresses of its registered office and principal place of business are disclosed in the corporate information section in this report. The principal activities of the Bank are described in the Report of the Directors.

2. BASIS OF ACCOUNTING & ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 Basis of preparation and compliance

The financial statements of the Bank for the year ended 31 December 2025 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the requirements of the Bank of Tanzania (BOT) and other applicable laws and regulations.

In preparing these financial statements, the Bank has applied all IFRS standards, interpretations and amendments that are effective for annual reporting periods beginning on or after 1 January 2025, together with all IFRS standards that remain effective.

2.2 New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Management has applied a number of amendments to IFRS Accounting Standards as issued by the IASB that are mandatorily effective for the accounting period that begins on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2.2.1 Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

(a) Nature and scope of the amendments

The IASB issued amendments to IAS 21 to clarify how entities should determine the appropriate exchange rate when a currency is not exchangeable into another currency at the measurement date. The amendments:

- Introduce a clear definition of "lack of exchangeability", which exists when an entity is unable to obtain foreign currency within a timeframe that is customary for the relevant currency and market, through legal exchange mechanisms;
- Clarify that exchangeability must be assessed for a particular currency, purpose and entity, rather than in general;
- Require entities to estimate a spot exchange rate when exchangeability is lacking, based on an orderly transaction between market participants at the measurement date; and
- Introduce enhanced disclosure requirements, including qualitative and quantitative information to enable users of financial statements to assess, the nature and financial effect of currency restrictions; and the risks associated with currencies that are not exchangeable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.2 New and amended IFRS Accounting Standards that are effective for the current year (Continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2025 and are applied prospectively.

(b) Assessment of applicability to the Bank

The Bank undertook a detailed assessment of the amendments to IAS 21 in the context of its operations, considering:

- The nature and volume of its foreign currency transactions, including customer deposits, loans, placements with other banks, borrowings, and settlement of international obligations;
- The currencies in which the Bank holds monetary assets and liabilities, including USD and other major foreign currencies;
- The regulatory and foreign exchange environment in which the Bank operates; and
- The availability of official and observable exchange rates published by the Bank of Tanzania and other relevant market sources.

(c) Impact on recognition and measurement

Based on management's assessment:

- The Bank was able to access foreign currency through legal and observable exchange mechanisms during the year ended 31 December 2025;
- Observable spot exchange rates were available for all material foreign currency transactions and balances at the reporting date; and
- No material foreign currency balances were subject to restrictions that would meet the definition of lack of exchangeability under the amended IAS 21.

Accordingly, the application of the amendments did not result in any changes to the recognition or measurement of the Bank's foreign currency denominated assets, liabilities, income or expenses.

(d) Conclusion on impact

Management concluded that the amendments to IAS 21 did not have a material impact on the Bank's financial position, financial performance or cash flows for the year ended 31 December 2025.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.2 New and amended IFRS Accounting Standards that are effective for the current year (Continued)

2.2.2 IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information

During the year, the Bank adopted IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information, which became effective for annual reporting periods beginning on or after 1 January 2025. This standard requires entities to disclose information on all sustainability-related risks and opportunities that could reasonably be expected to affect their cash flows, access to finance, or cost of capital over the short, medium, or long term.

In line with IFRS S1, the Bank has enhanced its reporting by providing disclosures on governance processes, strategy, risk management, and key metrics and targets related to sustainability-related matters. These disclosures align with global best practice and the structure of internationally recognized sustainability frameworks.

The adoption of IFRS S1 supports greater transparency, improves comparability for stakeholders, and strengthens the Bank's commitment to integrating sustainability considerations into its financial reporting.

2.2.3 IFRS S2 - Climate-related Disclosures

During the year, the Bank adopted IFRS S2 - Climate-related Disclosures, effective for annual reporting periods beginning on or after 1 January 2025. The Standard requires disclosure of climate-related risks and opportunities that could reasonably be expected to affect the Bank's cash flows, access to finance, or cost of capital over the short, medium, or long term.

In accordance with IFRS S2, the Bank has disclosed information under the four core areas of governance, strategy, risk management, and metrics and targets, providing stakeholders with greater transparency on how climate-related matters are managed.

2.3 Standards and amendments issued but not yet effective

The following standards and amendments have been issued by the IASB but are not yet effective for the year ended 31 December 2025 and have not been early adopted by the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.1.1 IFRS 18 - Presentation and Disclosure in Financial Statements.

(a) Overview

IFRS 18 replaces IAS 1 - Presentation of Financial Statements and introduces significant changes to the structure and presentation of financial statements, including:

- New mandatory categories in the statement of profit or loss, including operating, investing, and financing categories;
- Enhanced consistency in the presentation of financial performance across entities;
- New requirements for management-defined performance measures (MPMs), including reconciliation to IFRS-defined subtotals; and Enhanced aggregation and disaggregation principles.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with early adoption permitted.

(b) Expected impact on the Bank

The Bank has performed a preliminary assessment of IFRS 18 and expects that:

- The standard will primarily affect the presentation and disclosure of items in the statement of profit or loss, particularly in relation to: Interest income and interest expense, Operating income and Subtotals used to present financial performance.
- There will be no impact on the recognition or measurement of the Bank's assets, liabilities, income or expenses; and
- Additional disclosures may be required where the Bank presents management-defined performance measures.

The Bank will continue to assess the detailed impact of IFRS 18 ahead of its mandatory adoption.

2.1.2 IFRS 19 - Subsidiaries without Public Accountability: Disclosures

(a) Overview

IFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while maintaining full IFRS recognition and measurement principles.
The standard is effective for annual reporting periods beginning on or after 1 January 2027.

(b) Applicability to the Bank

The Bank has public accountability as a licensed banking institution. Accordingly, IFRS 19 is not applicable to the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.1.1 Annual Improvements and other amendments (effective 1 January 2026 and later)

These include narrow-scope amendments to:

- IFRS 1 - First-time Adoption of IFRS
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 9 - Financial Instruments
- IFRS 10 - Consolidated Financial Statements
- IAS 7 - Statement of Cash Flows

Expected impact
The Bank does not expect these amendments to have a material impact on its financial statements but will adopt them in the period in which they become effective.

Early adoption of standards
The Bank did not early-adopt any new or revised standards in 2025.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). Additional information required by regulatory bodies is included where appropriate. The Report by those charged with Governance is presented together with financial statements in compliance with Tanzania Financial Reporting Standards.

(b) Basis of preparation

The financial statements have been prepared in full compliance with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB), as well as all applicable statutory and regulatory reporting requirements. In preparing these financial statements, management has applied the historical cost convention as the primary measurement basis, except where alternative measurement bases are specifically required or permitted under IFRS and are disclosed in the relevant accounting policies. Assets and liabilities are therefore recognized and measured in accordance with the applicable IFRS Accounting Standards and related interpretations, as detailed in the accounting policies set out below.

The financial statements are presented in thousands of Tanzanian Shillings (TZS '000), which is the functional and presentation currency of the entity, unless otherwise explicitly stated. They cover a twelve-month financial period from 1 January to 31 December. Consistent accounting policies have been applied throughout the reporting period and, where applicable, comparative information has been prepared on the same basis to ensure consistency and comparability of financial information from one period to another.

(c) Revenue recognition

The Bank recognizes revenue when it can be reliably measured and when it is probable that the related economic benefits will flow to the Bank. Revenue is recognized only after all material contingencies related to the transaction have been resolved. Estimates are based on historical experience, taking into account the nature of the transaction and the specific terms of each arrangement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition(Continued)

(i) Interest and similar income

Interest income comprises interest earned on loans and advances, interest on deposits and placements with other financial institutions, as well as interest and discounts on government securities. Such income is recognized over time based on the outstanding principal amount and the applicable effective interest rate.

For all financial instruments measured at amortized cost, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying of the financial instrument.

(ii) Fees and commission income

Fees and commission income are recognized on an accrual basis, meaning they are recorded in the period in which the related services are rendered, regardless of when cash is received. Revenue is recognized only when the Bank has fulfilled its contractual obligations to the customer and there is reasonable certainty of collection. The Bank generates fees and commissions from a broad range of banking and agency services provided to its customers and other counterparties. These include transaction-based fees, account maintenance fees, payment processing services, and advisory-related income.

In addition, the Bank earns agency commissions from services performed on behalf of third parties, including mobile network operators, insurance companies, and other financial institutions, particularly in relation to Mobile Pesa transactions and cash collection services. Further commission income is also derived from trade finance products and services offered to government entities, small and medium-sized enterprises (SMEs), and corporate clients. These services include letters of credit, guarantees, document processing, and other trade-related banking facilities.

(d) Interest expense

Interest expense is classified as a non-operating expense and represents interest payable on borrowings, including bonds, loans, and customer deposits. Interest expense is recognised in profit or loss using the effective interest method.The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or a shorter period where appropriate, to the carrying amount of the financial liability. In determining the effective interest rate, the Bank estimates future cash flows by considering all contractual terms of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs comprise incremental costs that are directly attributable to the issuance or acquisition of the financial liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Fees and commission expense

Fees and commission expense that are integral to the effective interest rate on a financial liability are included in the measurement of the effective interest rate period.

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

(f) Employee benefits

Short term benefits

The cost of all short-term employee benefits such as salaries, employees' entitlements to leave pay, medical aid, other contributions, provision of housing rent to senior management staff, etc. are recognized during the period in which the employees render the related services.

Pension Obligation

The Bank and its other employees contribute to the Public Service Social Security Fund (PSSSF), which is a defined contribution scheme. The Bank contributes 15% of the employees' salaries to the scheme and employees contributes 5%. The Bank has no further obligation after such payment.

The Bank's contributions to the defined contribution schemes are recognized to the profit or loss in the year to which they relate.

Defined benefit plan

The Bank operates an unfunded lumpsum Gratuity Arrangement ("the Arrangement"). As the Arrangement is unfunded, gratuity benefits are paid out of the Bank's general revenues.

Under this Gratuity Arrangement, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement, comprising actuarial gains and losses is reflected in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Employee benefits (continued)

Defined benefit plan(continued)

- Service cost;
- Net interest expense or income; and
- Re-measurement.

The Bank presents the first two components of defined benefit cost in profit or loss in the line-item Staff costs.

(g) Taxes

The income tax expense or credit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax relating to items recognized in OCI or directly in equity is recognized in OCI or equity, respectively, and not in profit or loss.

(ii) Previous year's tax liability

Tax liabilities arising from Tanzania Revenue Authority (TRA) assessments relating to prior years (2021 and 2023) are recognised as operating expenses in the current year's profit and loss statement. For corporate taxes, these amounts are included within corporate tax expense; for other taxes, they are presented within operating expenses.

(iii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Taxes (continued)

(iii) Deferred tax (continued)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on enacted tax rates by the end of the reporting period.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

(iv) Value Added Tax

Revenues and expenses and capital items are recognised inclusive of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is recoverable from the tax authority, in which case the value added tax is recognised as an asset. The net amount of value added tax recoverable from, or payable to tax authorities is included as part of receivables or payables in the statement of financial position.

(h) Financial instruments

A financial instrument is defined as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) *Initial recognition of financial assets and liabilities*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

(ii) *Initial Measurement of financial assets and liabilities*

The classification of financial instruments at initial recognition depends on contractual terms and the business model for managing those instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to or subtracted from this amount.

(iii) *Classification and subsequent measurement of financial assets*

The Bank classifies its financial assets in the measurement category of amortized cost; The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government bonds. Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

Business model

The business model reflects how the Bank manages its assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and how risks are assessed and managed.

Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss ("ECL") allowance recognised and measured as described in Note 3 (h)(iv). Interest income from these financial assets is included in interest income using the effective interest method.

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

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

(iv) *Impairment*

Upon initial recognition, the Bank recognises an expected credit loss (ECL) allowance for financial assets measured at amortised cost, which results in an immediate loss being recorded in profit or loss for newly originated assets. As at 1 January 2025 and 31 December 2025, the Bank did not hold any financial assets classified as fair value through other comprehensive income (FVOCI) and did not have any purchased or originated credit impaired assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (continued)

(iv) Impairment (continued)

The Bank assesses expected credit losses on a forward-looking basis for debt instruments carried at amortised cost and for exposures arising from loan commitments. A loss allowance is recognised at the end of each reporting period. In measuring ECL, the Bank takes into account:

- a probability-weighted and unbiased estimate based on a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information available at the reporting date without undue cost or effort, including past events, current conditions, and forecasts of future economic conditions.

Additional details on the measurement of the ECL allowance are provided in Note 5(a).

(v) *Modification of loans*

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors.

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced such as a profit share/equity - based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the original financial assets and recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for the impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred .However the Bank also assesses whether the new financial assets recognised is deemed to be credit-impaired at initial recognition ,especially in circumstances where the renegotiation was driven by the debtor being unable being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in Profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial assets and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or Credit -adjusted effective interest rate for purchased or originated credit -impaired financial assets).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h)Financial Instruments (continued)

(vi) *Classification and subsequent measurement of financial liabilities*

In accordance with IFRS 9 Financial Instruments, all financial liabilities of the Bank are classified and subsequently measured at amortised cost. On initial recognition, financial liabilities are recorded at the fair value of the consideration received, adjusted for directly attributable transaction costs incurred in issuing or acquiring the liability.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. This method allocates interest expense over the relevant period, ensuring that any premiums, discounts, and directly attributable transaction costs are amortised through profit or loss over the expected life of the liability.

The Bank continues to recognise financial liabilities in its statement of financial position until they are extinguished—that is, when the contractual obligation is discharged, cancelled, or expires.

(vii) *De-recognition of financial assets and liabilities*

Financial assets are derecognized when the contractual rights to receive cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards of ownership have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

Financial liabilities are derecognized only when the obligation is discharged, cancelled or expired.

(viii) *Fair value measurement*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing market participants at the measurement date. The measurement assumes that the transaction takes place in the principal market for the asset or liability or, if no such market exists, in the most advantageous market to which the Bank has access at that date. In determining the fair value of a financial liability, the Bank also considers the effect of its own credit risk (non-performance risk).

Where available, the Bank measures the fair value of financial instruments using quoted prices in an active market. A market is considered active when transactions for the asset or liability occur with sufficient frequency and volume to provide reliable and continuously available pricing information. In such cases, quoted market prices provide the most reliable evidence of fair value and are used without adjustment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h)Financial Instruments (continued)

(viii) *Fair value measurement (Continued)*

In circumstances where quoted prices in an active market are not available, the Bank applies appropriate valuation techniques. These techniques are designed to maximise the use of relevant observable inputs, such as market prices, interest rates, yield curves, and credit spreads, while minimising reliance on unobservable inputs. The selected valuation model incorporates all relevant factors that market participants would consider when pricing the asset or liability, including time value of money, credit risk, liquidity, and other market conditions. The Bank regularly reviews and updates its valuation methodologies to ensure they remain appropriate and consistent with IFRS 13 Fair Value Measurement requirements.

(ix) *Offsetting financial instruments*

Financial assets and financial liabilities are presented on a net basis in the statement of financial position only when the Bank currently has a legally enforceable right to offset the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The legally enforceable right of set-off must not be contingent on a future event and must be enforceable in the normal course of business, as well as in the event of default, insolvency, or bankruptcy of either the Bank or the counterparty.

Where these conditions are not met, financial assets and financial liabilities are presented separately in the statement of financial position in accordance with IFRS requirements. The Bank does not offset amounts merely because they relate to the same counterparty or are subject to a master netting arrangement unless the above criteria are satisfied.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Property and equipment

Property and equipment are initially recognised at cost and subsequently carried at historical cost less accumulated depreciation. The cost includes all expenditures directly attributable to acquiring the assets.

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

Leasehold improvements relate to renovations and modifications made to leased banking premises. Such costs are capitalised only when they exceed TZS 20 million. These costs are amortised on a straight-line basis over the remaining lease term or the estimated useful life of the improvements, whichever is shorter.

Depreciation

Depreciation of other assets is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives, using the following annual rates:

Buildings	4%
Motor vehicles	25%
Data communication equipment	20%
Computer hardware	20%
Furniture, fittings and equipment	10%
Leasehold improvement	20% or over the term of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Depreciable assets are reviewed for impairment.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

Capital work in progress

Capital work in progress relates to property and equipment under construction. Cost includes materials, direct labor and any other direct expenses incurred in respect of the project less any recognised impairment losses. The amounts are transferred to the appropriate property and equipment categories once the project is completed and the asset is available for use.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Leases

The Bank leases office premises in various locations within the region. Lease agreements are generally for periods ranging from one to five years, with some locations extending up to ten years. Some leases include extension or termination options, which are assessed as described in the extension and termination section below. Lease terms are negotiated individually and vary in conditions; however, the agreements do not impose any financial covenants, and leased assets cannot be used as collateral for borrowing.
Where contracts contain both lease and non-lease components, the Bank allocates the total consideration in the contract to each component based on their relative stand-alone prices. However, for leases of real estate where the Bank is the lessee, it has elected not to separate lease and non-lease components and instead accounts for them as a single lease component.

At the commencement date of a lease, the Bank recognises a right-of-use asset and a corresponding lease liability, being the date on which the underlying asset is available for use (refer to Note 33(b)). Each lease payment is split between a reduction of the lease liability and a finance cost. The finance cost is recognised in profit or loss over the lease term so as to produce a constant periodic interest rate on the remaining lease liability. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Right-of-use assets and lease liabilities are initially measured at the present value of future lease payments. Lease liabilities comprise the net present value of:

- fixed payments (including in-substance fixed payments), net of any lease incentives receivable;
- variable lease payments linked to an index or rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option where the Bank is reasonably certain to exercise it; and
- penalties for early termination, where the lease term reflects the likelihood of termination.
- payments arising from extension options that are reasonably certain to be exercised are also included.

Lease payments are discounted using the interest rate implicit in the lease. Where this rate cannot be readily determined—which is generally the case—the Bank uses its incremental borrowing rate, defined as the rate it would pay to borrow funds of a similar amount, for a similar term, and under similar economic conditions.

In estimating the incremental borrowing rate, the Bank, where possible, uses recent third-party financing as a starting point and adjusts this rate to reflect changes in market conditions since that financing was obtained.

To determine the incremental borrowing rate, the Bank where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

NOTES TO THE TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Extension and termination options

Extension and termination options are included in a number of property leases contracts. These terms are used to maximize operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the lease term for office space leases, the Bank considers all relevant facts and circumstances that create an economic incentive to exercise, or not exercise, extension or termination options. The following factors are generally the most significant in this assessment:

- Where lease agreements include substantial penalties for terminating or failing to extend the lease, the Bank is typically considered to be reasonably certain to exercise the extension option or to avoid termination, as doing otherwise would result in significant economic loss.
- Where the Bank has made significant leasehold improvements that are expected to retain substantial economic value beyond the initial lease term, the Bank is usually reasonably certain to extend the lease to fully utilise the benefits of those improvements.
- In all other cases, the Bank considers additional factors such as its past practice regarding lease renewals, the strategic importance of the location, the availability of suitable alternative premises, and the potential costs and operational disruptions associated with relocating to a different site. For most leases of offices and vehicles, extension options have not been included in the lease liability because the Bank could replace the leased assets without incurring significant cost or experiencing material business disruption.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Leases (continued)

The Bank reassesses the lease term whenever an extension or termination option is actually exercised or when it becomes legally or practically obliged to exercise such an option. The assessment of whether the Bank is reasonably certain to exercise an option is reviewed only when there is a significant event or change in circumstances—within the Bank's control—that materially affects the original assessment.

For the leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicles leases have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(k) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Acquired computer software and related licenses are stated at cost less accumulated amortization. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Where software is not an integral part of the related hardware it is recognized as an intangible asset.

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it becomes available for use. The estimate useful life of software is five years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of tangible and intangible assets

At the end of each reporting period, the Bank reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss.

If objective evidence on impairment losses exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually.

In determining the recoverable amount, the Bank considers the higher of the fair value of the asset less costs to sell, and value in use. In estimating value in use, the Bank recognize of the estimated future cash flow discounted to the present value using a pre-determined discount rate that is reflective of the current market assessment of time value of money and the risks specific to the asset itself.

Where impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized.

(m) Disposal of the Asset

The Bank disposes of assets that are no longer required for operational purposes or that have reached the end of their useful economic life. The disposal process is conducted in line with the Bank's internal asset management policies as well as applicable regulatory and statutory requirements, with the objective of ensuring transparency, accountability, and optimal value realization. Prior to disposal, assets are reviewed and approved in accordance with established governance procedures, and disposal methods may include sale, transfer, or write-off depending on the nature and condition of the asset. Any gain or loss arising from the disposal is recognized in profit or loss and represents the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal. In addition, the Bank required to obtain necessary approval from the Ministry of Finance through the Government Asset Management Unit before disposing of assets and ensures that all disposed assets are duly removed from the Government asset management system. During the year the Bank did not dispose any assets.

(n) Regulatory reserve

IFRS 9 requires the Bank to recognize an Expected Credit Loss (ECL) allowance immediately after initial recognition for financial assets measured at amortized cost and for investments in debt instruments measured at fair value through other comprehensive income (FVOCI). This results in an accounting loss being recognized in profit or loss when a new asset is originated.

The Regulatory Reserve represents the additional amount set aside to comply with Central Bank prudential guidelines, covering loan loss provisions in excess of the ECL determined under IFRS 9. This reserve is not distributable and does not form part of the Bank's core capital. During the year, the loss provisions required by the Central Bank were less than those determined under IFRS 9, and therefore, no regulatory reserve was required.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Translation of foreign currencies

(i) Functional and presentation currency

The financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in Tanzania Shillings rounded to the nearest TZS '000.Tanzania Shillings is the Bank's functional and presentational currency.

(ii) Transactions and balances

Foreign currency transactions that are transactions denominated, or that requires settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(p) Grants

Grants associated with the purchase of assets are recorded as deferred income and recognized in profit or loss on a systematic basis over the estimated useful lives of the respective assets.

Grants received to support improvements in the Bank's processes are recognized in profit or loss over the relevant periods in which the related expenditures are incurred.

(q) Cash and cash equivalents

For the statement of cash flow purposes, cash and cash equivalents includes cash on hand, balances held with Bank of Tanzania and short-term placements with maturities of three months or less from the acquisition date.

Statutory Minimum Reserves (SMR) are excluded from cash and cash equivalents and have been reported separately because it is not available to finance day to day operations of the Bank

(r) Contingent liabilities

Letters of credit, acceptances, and guarantees are issued by the Bank to support customers' obligations to third parties. The Bank is only required to honor these commitments in the event that the customer fails to meet their obligations. Accordingly, such commitments are treated as off-balance sheet items and are disclosed as contingent liabilities. Contingent liabilities also include undrawn loan commitments, where the Bank has approved credit limits but the customer has not yet fully utilized the facilities. Expected credit losses are considered for letters of credit, acceptances, guarantees and loan commitments and recognized accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The provision recognized represents the best estimate of the expenditure needed to settle the obligation at the reporting date, after considering the associated risks and uncertainties. Where a provision is measured based on estimated future cash flows, the carrying amount is determined by discounting those cash flows to their present value.

(t) Write-off policy

The Bank writes off a financial asset, either in full or in part, when all reasonable and practical recovery efforts have been exhausted and management determines that there is no realistic expectation of recovery. Indicators of such circumstances include the cessation of enforcement or recovery actions, as well as situations where recovery is pursued through foreclosure of collateral whose value is insufficient to allow full recovery of the outstanding exposure.

In certain cases, the Bank may write off financial assets that are still subject to enforcement or recovery actions. Notwithstanding the write-off, the Bank continues to pursue recovery of amounts that it is legally entitled to receive, including amounts that have been partially written off due to the absence of a reasonable expectation of full recovery.

(u) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE BANK'S ACCOUNTING POLICIES

In applying the Bank's accounting policies, the Directors are required to make judgements, estimates, and assumptions that affect the reported amounts of assets, liabilities, income, and expenses. These judgements and estimates are based on historical experience, current conditions, and reasonable expectations about future events. By their nature, they involve uncertainty, and actual outcomes may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis, with adjustments recognized in the period in which they change.

Measurement of the Expected Credit Losses(ECL) Allowance.

The determination of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income (FVOCI) is a key area involving complex models and significant judgement. The measurement of ECL requires assumptions about future economic conditions and customer credit behavior, including the probability of default and potential loss given default. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL to changes in these elements are explained in note 5(a).

A number of significant judgements are also required in applying the accounting requirement for measuring ECL, such as

- Assessing significant increases in credit risk: Identifying when a financial asset's credit risk has materially increased since initial recognition.
- Selection of models and assumptions: Determining the methodologies and input parameters, such as historical default rates, recovery rates, and forward-looking macroeconomic indicators.
- Scenario development: Establishing the number, nature, and weighting of forward-looking scenarios for each portfolio segment to estimate potential credit losses.
- Portfolio segmentation: Grouping financial assets with similar credit risk characteristics for the purpose of ECL measurement.

Detailed information about judgements and estimates made by the Bank in the above areas is set out in note 5(a).

Business models and SPPI as Significant Judgements.

Another area requiring significant judgement is the determination of the Bank's business models for managing financial assets and assessing whether the contractual cash flows of financial assets meet the Solely Payments of Principal and Interest (SPPI) criterion. These assessments affect the classification and measurement of financial assets and can materially influence the Bank's financial statements, as discussed in section 3(i).

The Directors exercise these judgements consistently and update estimates and assumptions in response to changes in economic conditions, regulatory guidance, and observed customer behavior to ensure that the Bank's financial statements remain reliable and compliant with IFRS.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE BANK'S ACCOUNTING POLICIES (CONTINUED)

Property and equipment & intangible assets

Critical estimates are made by the Directors in determining useful lives, residual values, and depreciation and amortization rates of property and equipment, and intangible assets respectively. The Bank makes accounting estimation of the useful lives of assets based on the expected pattern of consumption of the future economic benefits and reviews its depreciation rate at each reporting date.

Defined benefit plan

The Bank operates a funded defined benefit retirement plan for all employees. Employees do not contribute to the plan, the Bank bears all cost. A provision is made in the financial statements for the estimated cost of the future benefits. The accuracy and completeness of such provisions is confirmed periodically by an independent actuarial valuation. Refer to note 34 of the financial statements for uncertainty and sensitivity disclosure.

Taxes

The Bank is subjected to a number of taxes and levies by various government and quasi-government regulatory bodies. As a rule of thumb, the Bank recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgement is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability should be reassessed or re-estimated, any differences from the liabilities are dealt with through profit or loss for the year. Refer to note 15 for further details.

Leases

The lease policy of the Bank covers recognition, measurement and disclosure of right of use assets and lease liabilities, as per IFRS 16 Lease.

a) Date of recognition

The Bank assesses whether the contracts contain lease element and recognize assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value as guided by IFRS 16. Leases are recognised as right-of-use assets and liabilities at the date at which the leased assets are available for use by the Bank.

b) Incremental Borrowing Rate (IBR)

IFRS 16 requires the future lease payments to be discounted using the rate implicit in the lease, or where this is not readily determined, the lessee's incremental rate of borrowing. Therefore, the standard requires the entities to use the interest rate implicit in the lease as a discount rate to derive the lease liability. However, if the interest rate implicit in the lease cannot be readily determined, then the standard allows the entity to use the rate that would pay to borrow money equivalent to the value of the underlying asset of the lease. The Bank could not readily establish the interest rate that is implicit to its leases hence the Bank used the incremental borrowing rate as its discount fact. Currently the Bank has got borrowings with financial institutions at interest rates ranging between 8% and 12%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE BANK'S ACCOUNTING POLICIES (CONTINUED)

Accordingly, the Bank has used an IBR of 8% for existing leases and 11% for renewed leases as the discount rate. This rate reflects the interest cost that the Bank would incur to borrow funds over comparable terms, with similar collateral, to acquire an asset equivalent to the Right-of-Use (RoU) asset in a similar economic environment, in accordance with paragraph 26 of IFRS 16.

c) Presentation and disclosure

The Bank presents right-of-use (RoU) assets and lease liabilities as separate line items in the notes to the financial statements, classified under property, plant, and equipment. Lease-related interest expenses are recognized in the statement of comprehensive income as part of operating expenses, separately disclosed from other interest costs. Cash payments representing the principal portion of lease liabilities are presented within financing activities in the statement of cash flows, in line with IFRS 16 requirements.

Contingent liabilities: The Bank also discloses contingent liabilities arising from contractual obligations, including potential legal claims. Provisions for such obligations are established based on professional expert advice and assessments from legal advisers. Legal counsel continuously evaluates whether a provision should be recognized and determines the estimated amounts, taking into account the likelihood of settlement and potential financial impact, in accordance with relevant accounting standards.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and optimize potential adverse effects on the Bank's financial performance. The Bank's risk management policies are designed to identify and analyses these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive risk management framework for identification, measuring, monitoring, controlling and mitigation of the Bank's risks. The policies are integrated in the overall management information systems of the Bank and supplemented by a management reporting structure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered, and emerging best practice. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees/ stakeholders understand their roles and obligations.

The Audit, Risk Management and Compliance Committee of the Board of Directors of the Bank have the responsibility for monitoring compliance with the Bank's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the Bank. On the other hand, the Governance, Recruitment and Remuneration Committee among other issues also has the mandate to review performance of the Bank through various reports submitted by Management. These Board committees are assisted in these functions by various management committees which undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The Bank's risk management framework is designed to:

- Identify, assess, and monitor risk exposures.
- Establish limits and controls to maintain risks within acceptable levels.
- Ensure timely reporting of risk information to the Board and senior management.
- Regularly review policies to reflect changes in markets, products, and regulatory requirements.

The most important types of risks which the Bank manages on a day-to-day basis are:

- Credit risk; managed through rigorous credit appraisal, approval processes, exposure limits, and monitoring, with provisions for expected credit losses recognized in accordance with IFRS 9.
- Liquidity risk; Managed by maintaining adequate liquid assets, daily monitoring of cash flows, and contingency funding plans to meet obligations as they fall due.
- Market risk(interest rate and foreign exchange); Mitigated through asset-liability management, exposure limits, and stress testing to manage interest rate, foreign exchange, and other market-sensitive risks.
- Operations Risk. Addressed through robust internal controls, risk assessments, internal audits, staff training, and business continuity measures.

The notes below provide detailed information on each of the above risks and the Bank's objectives, policies and processes for measuring and managing the risks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a)Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Bank. It arises principally from lending and treasury activities. The amounts presented in the statement of financial position are net of impairment for doubtful debts, estimated by the Bank's management based on prior experience and their assessment of the current economic environment.

The Board of Directors has delegated responsibility for the management of credit risk to its Audit, Risk management and Compliance Committee which is responsible for oversight of the Bank's credit policy, including among others:

- formulating the policies, covering risk acceptance procedures, collateral requirements, credit appraisal, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- establishing the optimized structure for the approval of credit facilities;
- reviewing and assessing credit risk on all exposures in excess of approval limits of the management prior to facilities being committed to customers; limiting concentrations of exposure to counterparties and industries (for loans and advances).
- Developing and maintaining the Bank's risk grading system in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures; and
- Reviewing reports on compliance with agreed exposure limits, including those for selected industries and product types.

Day to day management of the Bank's credit risk is vested on the Director of Risk Management and Compliance who reports to the Chief Executive Officer of the Bank. Regular audits of the credit processes and management are undertaken by Internal Audit.

Credit enhancements: collateral

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, legal mortgage, real estate, and inventories.

Credit risk measurement

Loans and advances (including loan commitments and financial guarantees)

The estimation for credit exposure for risk management purposes is complex and requires the use of models as the exposure varies with the changes in the market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimation as the likelihood defaults occurring, of associated loss ratios and defaults correlation between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a)Credit risk(continued)

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized 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.
- If the financial is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- 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 stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- 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).

Further explanation is also provided of how the Group determines appropriate groupings when ECL is measured on a collective basis.

Significant Increase in Credit Risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when the borrower is more than 5 days past due on contractual repayments for microfinance products and 30 days past due on its contractual payments for products other than microfinance

Definition of default and credit-impaired

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

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the sole exception of microfinance portfolio where 30 days past due on contractual repayment is default).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Credit risk(continued)

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
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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 Group's expected loss calculations.

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 considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12 -month or lifetime basis, where 12 month-month LGD is the percentage of loss expected to be if the default occurs in the next 12-months and lifetime LGD's the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a)Credit risk(continued)

Quantitative criteria(continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month for collective segments. 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 quarters, 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 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products such as overdrafts, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on an analysis of the Bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. Probability of loans getting back to performing is also adjusted to obtain LGD parameter.

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Credit risk(continued)

Quantitative criteria(continued)

There have been no significant changes in estimation techniques or significant assumptions made during year.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are obtained from independently published information on a quarterly basis and provide the best estimate view of the economy over the next ten years.

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

In addition to the base economic scenario, the Bank estimates other scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearity are captured.

The number of scenarios and their attributes are reassessed at each reporting date. In addition to the base economic scenario, the Bank estimates other scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product 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.

These probabilities weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting. As with any economic forecasts, the projections and likelihoods of occurrence are subject2 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.

Economic variables assumptions.

The most significant year end assumptions used for ECL estimate as at 31 December 2025 are set out below. The scenarios "Base", "Best Case" and "Worst Case" were used for each specific portfolio depending on macroeconomic factor correlation with default rates. Currently the loans portfolio has been segmented to Corporate, SME, Microcredit, Personal and Staff. Below are segments with corresponding microeconomic variables estimate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a)Credit risk (continued)

Economic variables assumptions (continued)

Variable	Scenarios	2026(%)	2027(%)	2028(%)	2029(%)	2030(%)
Corporate	**Estimates**					
Gross Value Added in Industry; Real; Lcu And Consumer Price Index	Base	0.27	0.20	0.26	0.19	0.30
	Best case	0.50	0.44	0.50	0.43	0.54
	Worst case	0.03	-0.03	0.03	-0.04	0.07
SME	**Estimates**					
Consumption; Government; Real; Lcu And National Savings, Lcu	Base	-0.41	-0.41	-0.38	-0.41	-0.47
	Best case	-0.18	-0.18	-0.15	-0.18	-0.24
	Worst case	-0.64	-0.64	-0.61	-0.64	-0.70
Microcredit	**Estimates**					
Consumer Price Index	Base	-0.56	-0.33	-0.45	-0.44	-0.26
	Best case	-0.22	0.01	-0.11	-0.11	0.08
	Worst case	-0.89	-0.67	-0.79	-0.78	-0.60
Personal	**Estimates**					
Consumption; Private Deflator and Interest Rate; Lending	Base	-0.85	-0.81	-0.81	-0.86	-0.84
	Best case	-0.56	-0.52	-0.52	-0.56	-0.55
	Worst case	-1.14	-1.11	-1.10	-1.15	-1.13
Staff	**Estimates**					
Gdp; Current Prices And Exchange Rate (Latest Year); Us$,Gdp Per Capita, Nominal; Us$	Base	0.86	0.91	0.87	0.89	0.90
	Best case	1.24	1.29	1.25	1.27	1.28
	Worst case	0.48	0.53	0.49	0.51	0.52

For the year 2025 segmentation of the loan and advances was done basing on Corporate, SME, Microcredit, Personal and Staff whereby they both correlated with GDP Constant Prices. The scenarios "Base", "Best Case" and "Worst Case" were used for each specific portfolio depending on macroeconomic factor correlation with default rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a)Credit risk (continued)

Economic variables assumptions (continued)

2024

Variable	Scenarios	2024(%)	2025(%)	2026(%)	2027(%)	2028(%)
Corporate	**Estimates**					
Consumer Price index inflation, Good export and Real GDP per capita	Base	0.10	0.09	0.09	0.09	0.10
	Best case	0.06	0.06	0.06	0.06	0.06
	Worst case	0.17	0.16	0.16	0.16	0.17
SME	**Estimates**					
Agriculture nominal GVA	Base	5.57	5.73	5.63	5.98	5.63
	Best case	4.61	4.75	4.66	4.96	4.67
	Worst case	6.68	6.87	6.75	7.15	6.75
Microcredit	**Estimates**					
Lending rate and Real rates (EOP)	Base	0.89	0.89	1.22	1.04	0.93
	Best case	0.56	0.56	0.78	0.66	0.59
	Worst case	1.38	1.37	1.85	1.59	1.44
Personal	**Estimates**					
Consumer price index inflation, STER and Economic Growth	Base	7.11	7.30	7.38	7.41	7.26
	Best case	5.38	5.53	5.59	5.61	5.49
	Worst case	9.27	9.50	9.59	9.63	9.44
Staff	**Estimates**					
Consumer price index inflation and Real GDP per capita	Base	1.34	1.30	1.29	1.30	1.34
	Best case	0.91	0.88	0.88	0.88	0.91
	Worst case	1.94	1.89	1.87	1.89	1.94

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a)Credit risk (continued)

Classification of loans and advances

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

2025

	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**TZS '000'**
	12- month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Neither past due nor impaired	1,423,136,011	-	-	1,423,136,011
Past due but not impaired	50,402,860	21,213,414	-	71,616,274
Loss category	-	-	30,027,077	30,027,077
Gross	1,473,538,871	21,213,414	30,027,077	1,524,779,362
Less: allowance for impairment	(10,691,547)	(1,078,830)	(14,444,311)	(26,214,688)
Less: interest in suspense	-	-	(4,000,637)	(4,000,637)
Carrying amount (note 23)	1,462,847,324	20,134,584	11,582,129	1,494,564,037

2024

	12- month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Neither past due nor impaired	1,025,868,067	-	-	1,025,868,067
Past due but not impaired	51,538,252	61,778,053	-	113,316,305
Loss category	-	-	39,539,708	39,539,708
Gross	1,077,406,319	61,778,053	39,539,708	1,178,724,080
Less: allowance/Expected credit loss	(9,876,075)	(358,159)	(13,772,366)	(24,006,600)
Less: Interest in suspense	-	-	(2,528,033)	(2,528,033)
Carrying amount (note 23)	1,067,530,244	61,419,894	23,239,309	1,152,189,447

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a)Credit risk (continued)

Loans and advances that are neither past due nor impaired

The Bank classifies loans and advances under this category for those exposures that are up to date, in terms of repayment with contractual agreements as well as quality of legal and loan documentation. Such loans would have demonstrated financial conditions, risk factors, quality of documentation and capacity to repay that are acceptable. These exposures will normally be maintained largely within approved product programs and with no signs of impairment or distress. These exposures are categorized as normal accounts in line with the Bank of Tanzania (BOT) regulations.

Past due but not impaired

This category includes loans that are superior in quality in repayment to those classified as substandard, but they are potentially weak in terms of documentation thus, require closer management supervision. These include loans that are Less than 5 days past due on contractual repayments for microfinance products and 30 days past due on its contractual payments for products other than microfinance.

Impaired loans and advances

Impaired loans are loans for which the Bank determines that it is probable that it will not be able to collect all outstanding principal and interest due according to the contractual terms of the advance. These accounts under BOT guidelines are termed as non-performing loans.

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

- Transfer between stage 1 and stage 2 or due to financial instruments experiencing significant increase (or decrease) of credit risk or becoming credit-impaired in the period, and the consequent "step up"(or step down") between 12-months and lifetime ECL:
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDS and LGDs in the period, arising from regular refreshing of inputs to models:
- Impact on the measurement of ECL due to the passage of time, as ECL is measured on present values basis;
- Foreign exchange retranslation for assets denominated in foreign currencies and other movements: and
- Financial assets derecognized during the period and write offs of allowance related to assets that were written off during the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Curing of non-performing financial assets including restructured facilities.

An instrument is considered to no longer have SICR or be in default (i.e. to have cured) when it has been established that the obligor is able to meet the requirements of the agreed terms and conditions.

IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from stage 3 to stage 2 and from stage 2 to stage 1.

Under migration from stage 3 to stage 2, the Bank shall consider criteria for upgrade of credit accommodations as follows:

i. In the case of overdraft facilities, the account has satisfactorily performed for a minimum period of two consecutive quarters; and
ii. In the case of term loans, the obligor has timely paid four consecutive instalments.

On the other hand, credit exposures may migrate from stage 2 to stage 1 when there is a significant improvement of the credit exposure. In determining whether an exposure should shift backward from stage 2 to stage 1, The Bank shall consider the following;

i. All outstanding payments on the credit facility are made on time and there are no payments in arrears.
ii. There is improvement of the quantitative and qualitative factors that caused significant increase of the credit risk. Upgrade from stage 2 to stage 1 shall be subject to a monitoring period of 90 days for conventional loans and 30 days for Microfinance loans to confirm if the risk of default has decreased sufficiently before upgrading such exposure

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

2025	Stage 1 12-month ECL TZS 000s	Stage 2 Lifetime ECL TZS 000s	Stage 3 Lifetime ECL TZS 000s	Total TZS 000s
Loss allowance as at 31 December 2024	9,664,431	770,132	13,609,790	24,044,352
Off Balance sheet as at 31 December 2024	(37,752)	-	-	(37,752)
Total On and Off-balance sheet Loss allowance as at 01 January 2025	9,626,679	770,132	13,609,790	24,006,600
Changes in the loss allowance				
- Transfer to stage 1	1,480,598	(147,019)	(1,333,579)	-
- Transfer to stage 2	(89,265)	737,131	(647,866)	-
- Transfer to stage 3	(136,377)	(51,908)	188,285	-
New financial assets originated or purchased	5,202,462	485,234	3,979,020	9,666,716
Maintained stage and other movements	(5,392,550)	(714,740)	(4,842,320)	(10,949,609)
- Write-offs	-	-	3,490,981	3,490,981
Loans loss allowance as at 31 December 2025	10,567,117	1,078,830	14,444,311	26,090,258
Off-balance sheet as at 31 December 2025	124,430	-	-	124,430
Total loss allowance as at 31 December 2025	**10,691,547**	**1,078,830**	**14,444,311**	**26,214,688**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

2024	Stage 1 12-month ECL TZS 000s	Stage 2 Lifetime ECL TZS 000s	Stage 3 Lifetime ECL TZS 000s	Total TZS 000s
Loss allowance as at 31 December 2023	3,000,471	286,270	21,610,731	24,897,472
Off Balance sheet as at 31 December 2023	93,986	-	-	93,986
Total On and Off-balance sheet Loss allowance as at 01 January 2024	3,094,457	286,270	21,610,731	24,991,458
Changes in the loss allowance:				
- Transfer to stage 1	898,026	(83,164)	(814,862)	-
- Transfer to stage 2	(39,477)	9,323,273	(9,283,796)	-
- Transfer to stage 3	(40,398)	(20,772)	61,170	-
New financial assets originated or purchased	5,824,524	169,540	5,006,836	11,000,900
Maintained stage and other movements	(16,788)	(8,857,922)	3,168,862	(5,705,848)
Write-offs	(55,914)	(47,093)	(6,139,151)	(6,242,158)
Loss allowance as at 31 December 2024	9,664,430	770,132	13,609,790	24,044,352
Off balance sheet as at 31 December 2024	(37,752)	-	-	(37,752)
Loss allowance as at 31 December 2024 (note 23)	**9,626,678**	**770,132**	**13,609,790**	**24,006,600**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Balances with Bank of Tanzania and other assets

Balances with Bank of Tanzania and other assets are categorized as stage 1. For balance with Bank of Tanzania the lower Loss Given Default (LGD) of 10% is implemented, and the expected credit loss at the end of the year was TZS 11.2 million as per Note 18 (2024: TZS TZS 7.7 million), while for other assets the LGD of 45% was used and expected credit was TZS 17.6 million (Note 24) (2024: TZS 20.4 million). The regulatory minimum PD of 0.05% was applied.

Placements and balances with other banks

Balances due from other banks are categorized as stage 1. A higher Loss Given Default (LGD) floor for these assets was 45%, and the expected credit loss at the end of the year was TZS 207.6 million (Note 20) (2024: TZS 109.2 million). The Bank calculates the Probability of Default (PD) as an average between the sovereign credit rating of the country, denoted as B+, which corresponds to an annual default probability starting from 1%, and the regulatory minimum PD of 0.05%.

Debt Securities

The Bank hold investments in Treasury bills and bonds issued by the Government. At the end of the year the balance of the treasury bonds was TZS 140.63 billion (note 22) (2024: TZS 129.22 billion billion) and treasury bill was TZS 187.58 billion (note 21) (2024: 79.96 billion). At the end of reporting period, these investments were categorized as stage 1. There were no transfers between stages for both years. The lower Loss Given Default (LGD) floor of 10% was implemented and expected credit loss was total TZS 16.40 million (note 21 &22) (2024: TZS 10.41 million). The regulatory minimum PD of 0.05% was applied.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Concentration of risk of financial assets with credit risk exposure

The Bank monitors concentration of risk of financial assets in line with set limits per sector. The objective is to ensure diversification of risk by always maintaining a well-diversified product-mix. The following table shows analysis of concentrations of risks of financial assets with credit risk exposure for year 2025: Fig in millions.

b) Credit Exposure - Industry Sectors	Financial Institutions	Manufacturing	Trade& Commerce	Transport And Communication	Agri., Fishing, Forest& Hunting	Building & constr uction	Education	Health	Hotels and Restaurants	Mining and quarrying	Other Services	Personal	Real Estate & Mortgage	Warehousing and Storage	Grand Total	Allowance ECL	Net Amount
Bank of Tanzania	216,137	-	-	-	-	-	-	-	-	-	-	-	-	-	216,137	(11,227)	204,910
Placements and balances with other banks	80,895	-	-	-	-	-	-	-	-	-	-	-	-	-	80,895	(208)	80,687
Investment in government securities	328,224	-	-	-	-	-	-	-	-	-	-	-	-	-	328,224	(10)	318,214
Loans & Advances:																	
SMEs	4,710	14,579	118,852	60,804	8,725	24,783	7,556	6,741	13,309	18,608	11,530	1,184	27,778	96	319,255	(4,894)	314,361
Corporate customers	40,865	50,840	51,253	42,637	13,790	52,102	5,426	2,702	4,088	11,603	25,597	65	19,529	-	320,497	(1,869)	318,628
Personal loans	21	94	38,482	194	1,077	118	299	92	140		100		16	78	40,711	(475)	40,236
Salary loans	11		1,236	45	442	1	19		37		1,735	398,221	6	-	401,753	(9,245)	392,508
Micro loans	-	-	-	-	-	-	-				366	356,422	22,470	-	379,258	(9,126)	370,132
Agribusiness			-	-	37,501	-	-	-	-		-	-		25,808	63,309	(607)	62,702
Other assets (excluding non-financial assets)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
As at 31 December	670,863	65,513	209,823	103,680	61,535	77,004	13,300	9,535	17,574	30,211	39,328	755,892	69,799	25,982	2,150,039	(37,661)	2,112,378

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Concentration of Risk of financial assets with credit risk exposure (continued)

The following table shows analysis of concentrations of risks of financial assets with credit risk exposure for year 2024: fig in millions

b) Credit Exposure - Industry Sectors	Financial Institutions	Manufacturing	Trade& Commerce	Transport And Communication	Agri., Fishing, Forest& Hunting	Building & construction	Education	Health	Hotels and Restaurants	Mining and quarrying	Other Services	Personal	Real Estate & Mortgage	Warehousi and Storage	Grand Total	Allowance ECL	Net Amount
Bank of Tanzania	155,861	-	-	-	-	-	-	-	-	-	-	-	-	-	155,861	(8)	155,853
Placements and balances with other banks	95,671	-	-	-	-	-	-	-	-	-	-	-	-	-	95,671	(109)	95,562
Investment in government securities	209,474	-	-	-	-	-	-	-	-	-	-	-	-	-	209,474	(10)	209,464
Loans & Advances:																	
SMEs	784	1,831	62,506	5,460	1,778	11,592	5,037	2,627	4,715	866	11,242	23,506	8,627	3	140,574	(3,468)	137,106
Corporate customers	8,705	20,338	46,813	62,219	6,914	49,476	4,819	986	2,477	20,154	30,826	2,664	13,541		279,932	(4,133)	275,799
Personal loans	216	7	35,259	555	125	15	34	-	7	-	124	274	14	65	36,695	(514)	36,181
Salary loans			1,130	-	49	5	11	-	-	-	141	371,420	-	-	372,756	(7,984)	364,772
Micro loans			1,020	-	26	-	-	-	-	-	-	291,798	19,809	-	312,653	(7,330)	305,323
Agribusiness	-		-	-	3,262	-	-	-	-	-	-	-	-	-	13,262	(451)	12,811
Other assets (excluding non-financial assets)	-		135	19	-	-	-	-	-	-	-	226	-	22,688	23,068	-	23,068
As at 31 December	**470,711**	**22,176**	**146,863**	**68,253**	**12,154**	**61,088**	**9,901**	**3,613**	**7,192**	**21,020**	**42,333**	**689,888**	**41,991**	**22,756**	**1,639,946**	**(24,007)**	**1,615,939**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b)Liquidity risk

Liquidity risk is the risk that Bank will encounter difficulty in meeting its obligations arising from the likelihood that the Bank will not have sufficient cash to meet liquidity demands or situations on which it cannot raise enough liquidity in a cost-effective manner. The Assets and Liabilities Committee (ALCO), a management committee is tasked with liquidity risk management. ALCO relies substantially on the Bank's Treasury Department to coordinate and ensure discipline across the Bank, certify sufficient liquidity under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Liquidity risk management process

The Bank manage its liquidity requirements in the following ways:

- Preparation and monitoring of daily cash flow forecasts to effectively manage cash inflows and outflows and ensure the Bank's smooth and uninterrupted operation
- Holding an adequate stock of liquid assets such as cash deposits or marketable securities.
- Having available borrowing facilities.
- Monitoring liquidity position using the different liquidity ratios
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory funding mix.
- Maintaining liquidity contingency plan which identifies early warning indicators of stress conditions and describes actions to be taken in the event of difficulties arising from systemic or other crises while optimizing adverse long-term implications.

Funding Approach

The Bank adopts a diversified and prudent funding approach designed to support sustainable balance sheet growth, maintain adequate liquidity, and optimize funding costs. The funding strategy is anchored on a stable deposit base complemented by wholesale and capital market funding, ensuring resilience under normal and stressed market conditions.

The funding base comprising of current/demand, savings, time deposits and subordinated debt. A considerable importance is placed on the stability of these deposits, which is achieved through the business activities, and by maintaining depositors' confidence in the business strategies and financial strength.

To supplement deposit funding, the Bank accesses wholesale funding and capital market instruments in a disciplined manner, in line with its funding plan and risk appetite. This includes interbank borrowings, development finance institution (DFI) lines, and bond issuances where appropriate. Long-term funding instruments are utilized to support asset growth, particularly in strategic segments such as SME, while also strengthening the Bank's capital and funding structure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Liquidity risk(continued)

Measurement and monitoring of Liquidity risk

The Bank maintains a robust framework for the measurement and monitoring of liquidity risk to ensure its ability to meet financial obligations as they fall due, un der both normal and stressed conditions. Liquidity risk is assessed through a combination of quantitative metrics, cash flow projections, and stress testing methodologies.

Key liquidity indicators, including the statutory liquidity ratio, Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR), are monitored on an ongoing basis against regulatory thresholds and internal risk appetite limits. The Bank also conducts maturity gap and cash flow mismatch analyses to identify potential funding shortfalls across various time horizons.

Liquidity risk exposures and compliance with approved limits are regularly reported to Management and the Asset and Liability Management Committee (ALCO) for oversight and decision-making. Stress testing and scenario analysis are performed periodically to assess the Bank's resilience to adverse market conditions, with outcomes informing the Contingency Funding Plan. All liquidity risk measurement and monitoring activities are conducted in accordance with regulatory requirements and internal policies, ensuring prudent liquidity risk management.

The Bank's exposure to liquidity risk at 31 December 2025 is summarized below:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Liquidity risk (continued)

Financial assets Discounted	Up to 1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	1-5 years TZS '000	Over 5 years TZS '000	Total TZS '000
Cash and balances with Bank of Tanzania	140,375,392	124,859,363	-	-	-	266,755,600
Balances with Mobile Network Operators	34,748,592	-	-	-	-	34,748,592
Cheques and items for collection	375,000	-	-	-	-	375,000
Placements and balances with other banks	80,895,406	-	-	-	-	80,895,406
Treasury bills	-	64,367,623	123,218,021	-	-	187,585,644
Treasury bonds	-	-	-	-	140,648,674	140,648,674
Loans and advances to customers	58,232,044	75,327,294	163,106,397	521,546,156	706,567,472	1,524,779,362
Other assets	-	-	3,276,586	-	-	3,276,586
Total financial assets	**314,626,434**	**264,554,280**	**289,601,004**	**521,546,156**	**847,216,146**	**2,237,544,019**
Financial liabilities undiscounted						
Customer deposits	471,250,711	637,072,674	99,142,315	225,541,761	234,422,458	1,667,429,919
Balances due to other banks	145,661,062	43,911,504	-	-	-	189,572,566
Borrowings	-		-	-	275,176,426	275,176,426
Lease liabilities	808,168	571,289	744,372	2,313,306	12,463,738	16,900,873
Other liabilities	9,277,643	-	-	-	-	9,277,643
Total financial liabilities	**626,997,584**	**681,555,467**	**99,886,688**	**227,855,067**	**522,062,622**	**2,158,357,427**
Net liquidity gap	**(312,371,150)**	**(417,001,187)**	**189,714,316**	**293,691,089**	**325,153,524**	**79,186,592**
Liquidity risk for off balance sheet						
Guarantees	-	414,650	-	43,102,684	159,533,200	203,050,533
Undrawn commitments	-	21,028,551	-	-	-	21,028,551
Acceptance and letters of credit	-	-	50,523,527	49,111,660	2,870,227	102,505,414
Total off balance sheet	**-**	**21,443,201**	**50,523,527**	**92,214,344**	**162,403,427**	**326,584,498**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Liquidity risk (continued)

Contractual maturity analysis of undiscounted cash flows of financial assets and liabilities as at 31 December 2024 (balances in '000 TZS) - Restated

	Up to 1 month	1-3 months	3-12 months***	1-5 years***	Over 5 years***	
Cash and balances with Bank of Tanzania	103,569,078	-	-	93,369,513	-	196,938,591
Balances with Mobile Network Operators	25,182,665	-	-	-	-	25,182,665
Cheques and items for collection	178,912	-	-	-	-	178,912
Placements and balances with other banks	95,670,791	-	-	-	-	95,670,791
Treasury bills	-	33,560,869	46,396,474	-	-	79,957,343
Treasury bonds	-	-	-	-	129,221,070	129,221,070
Loans and advances to customers	56,296,775	24,343,825	114,770,542	211,073,000	772,239,938	1,178,724,080
Other assets	22,051	29,030	939,046	2,023,878	-	3,014,005**
Total financial assets	**280,920,272**	**57,933,724**	**162,106,062**	**306,466,391**	**901,461,008**	**1,708,887,457**
Financial liabilities						
Customer deposits	954,806,161	48,756,260	66,600,206	212,476,853	26,411,151	1,309,050,631*
Balances due to other banks	153,544,565	43,911,504	-	-	-	197,456,069
Borrowings	217,253	-	-	33,470,000	-	33,687,253
Lease liabilities	370,010	571,289	891,510	3,728,217	1,113,623	6,674,649
Other liabilities	15,621,251	-	-	-	-	15,621,251
Total financial liabilities	**1,124,559,240**	**93,239,053**	**67,491,716**	**249,675,070**	**27,524,774**	**1,562,489,853**
Net liquidity gap	**(843,638,968)**	**(35,305,329)**	**94,614,346**	**56,791,321**	**873,936,234**	**146,397,604**
Liquidity risk for off balance sheet 2024						
Guarantees	15,024,917	12,163,555	57,397,731	-	10,015,723	94,601,926
Undrawn commitments	9,824,649	-	-	-	-	9,824,649
Acceptance and letters of credit	11,970,878	2,027,815	74,320,519	-	-	88,319,212
Total off balance sheet	**36,820,444**	**14,191,370**	**131,718,250**	**-**	**10,015,723**	**192,745,787**

* Customer deposits previously disclosed as TZS 1,303,419,571,000 have been restated to disclose undiscounted contractual cash flows of TZS 1,309,050,631,000 following a prior year correction of TZS 5,631,060,000.
** Other assets balance previously disclosed as TZS 2,267,186,000 have been restated to 3,014,005,000 following a prior year correction of TZS 746,819,000 relating to Tanzania Posts Corporation Western Union Agents which has been disclosed for the first time
*** The time bands have been restated to provide a more appropriate level of detail by merging the prior year 3-6 months and 6-12 months into 3-12 months band and by breaking down the prior year 1 year category to 1-5 years and over 5 years. As a result, Cash and balances with Bank of Tanzania, Treasury bills, Treasury bonds, loans and advances to customers, other assets, customer deposits, Borrowings, Lease liabilities and guarantees balances have now been reallocated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c)Market risk

Market risk is the risk of losses on and off-balance sheet positions as a result of adverse changes in market prices, in particular, interest rates, foreign exchange rates, equity prices and commodity prices. Market risk exists in both trading and banking book.

Overall responsibility for management of market risk rests with ALCO. Market Risk Management Policies are in place to guide management of this risk and are subject to review and approval by the Board on a regular basis.

Interest rate risk

The Bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The maturities of asset and liabilities and the ability to replace at an acceptable cost as they mature are important factors in assessing the Bank's exposure to changes in interest rates. The interest rate risk is regularly monitored by an independent Risk and Compliance department and reported regularly to ALCO and the Board.

Interest rate risk management Techniques

The Bank has adopted a gap analysis, Stress testing and scenario analysis as techniques of measuring interest rate risks.

- Gap analysis - The Bank tracks its rate sensitive assets and liabilities quarterly to determine its interest rate risk exposure at any particular point in time. The Bank monitors a re-pricing gap (the difference between total assets and total liabilities re-pricing) over given intervals: 1-30, 31-90, 91-182, 182-365 days and over one year.
- The re-pricing gap percentage is then calculated as a total assets re-pricing divided by total liabilities repricing. The Bank's goal is to maintain a re-pricing gap percentage in the range of 70% to 130%. Subjective analysis of the balance sheet and duration analysis of the investment portfolio is utilized to evaluate long term fixed rate positions.
- Stress testing - In addition the Bank carries out stress testing exercises at least once a year to assess the potential cost of interest rate shocks. The exercise is done by the Directorate of Risk Management and Compliance and the results are tabled to EXCO meetings before the same are submitted to TCB Audit Committee of Board of Directors for deliberation and guidance.
- Interest Risk Ratios - The Bank uses the following ratios as interest rate risk indicators:

i. Interest income to total income - Maximum 80%
ii. Interest rate sensitive assets to interest rate sensitive liabilities Minimum 90%

Interest rate risk - stress tests

The Bank monitors the impact of risks associated with the effects of fluctuations in prevailing interest rates. At 31 December 2025, the following table summarizes the estimated impact on profit or loss of an immediate increase or decrease in interest rates of 125 basis points on current interest rate risk profile to the Bank's profit before tax.

	2025 TZS '000	2024 TZS '000
125 basis points increase or decrease in interest rates	235,667	189,102

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) Market risk (continued)

Interest rate risk (continued)

The table summarizes the exposure to interest rate risk as at 31 December 2025. Assets and liabilities are categorized by the earliest of contractual repricing or maturity dates. The Bank does not bear interest rate risk on off balance sheet items.

	Total TZS '000	Non interest bearing TZS '000	Up to 1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	1-5 years TZS '000	Over 5 years TZS '000
Financial assets							
Cash and balances with Bank of Tanzania	265,234,755	265,234,755	-	-	-	-	-
Balances with Mobile Network Operators	34,748,592	34,748,592	-	-	-	-	-
Cheques and items for collection	375,000	375,000	-	-	-	-	-
Placements and balances with other banks	80,895,406	-	80,895,406	-	-	-	-
Treasury bills	187,585,644	-	-	64,367,623	123,218,021	-	-
Treasury bonds	140,648,674	-	-	-	-	-	140,648,674
Loans and advances to customers	1,524,779,362	-	58,232,044	75,327,294	163,106,397	521,546,156	706,567,472
Other assets	3,276,586	3,276,586	-	-	-	-	-
	2,237,544,019	303,634,861	139,127,450	139,694,917	286,324,418	**521,546,156**	847,216,146
Financial liabilities							
Customer deposits	1,663,189,600	596,764,882	471,250,711	35,145,763	99,142,315	225,541,761	234,422,458
Balances due to other banks	187,661,062	-	145,661,062	43,911,504	-	-	-
Borrowings	180,511,282	-	-	-	-	180,511,282	-
Lease liability	13,511,730	-	808,168	571,289	744,372	2,313,306	9,074,595
Other liabilities	9,277,643	9,277,643	-	-	-	-	-
	2,054,151,317	606,042,525	617,719,941	79,628,556	99,886,687	408,366,349	243,497,053
Total interest sensitivity gap	184,314,412	(302,407,592)	(478,592,491)	60,066,361	186,437,731	113,179,808	603,719,093
Off balance sheet							
Guarantees	94,879,202	94,879,202	-	-	-	-	-
Undrawn commitments	11,316,269	-	11,316,269	-	-	-	-
Acceptance and letters of credit	102,505,413,829	102,505,413,829	-	-	-	-	-
Total off balance sheet	102,611,609,300	102,600,293,031	11,316,269	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) Market risk (continued)

Interest rate risk (continued)

The table summarizes the exposure to interest rate risk as at 31 December 2024

Financial assets	Total TZS '000	Non interest bearing TZS '000	Up to 1 month TZS '000	2-3 months TZS '000	4-6 months TZS '000	7-12 months TZS '000	Over 1 year TZS '000
Cash and balances with Bank of Tanzania	196,938,591	196,938,591	-	-	-	-	-
Balances with Mobile Network Operators	25,182,665	25,182,665	-	-	-	-	-
Cheques and items for collection	178,912	178,912	-	-	-	-	-
Placements and balances with other banks	95,670,791	-	95,670,791	-	-	-	-
Treasury bills	79,957,343	-	-	33,560,869	-	46,396,474	-
Treasury bonds	129,221,070	-	-	-	-	-	129,221,070
Loans and advances to customers	1,178,724,080	-	56,296,775	24,343,825	46,135,061	68,635,481	983,312,938
Other assets	2,267,186	2,267,186	-	-	-	-	-
	1,708,140,638	224,567,354	151,967,566	57,904,694	46,135,061	115,031,955	1,112,534,008
Financial liabilities							
Customer deposits	1,303,419,571	900,885,478	51,017,990	48,241,798	66,423,860	125,362,378	111,488,067
Balances due to other banks	197,456,069	-	153,544,565	43,911,504	-	-	-
Borrowings	33,687,253	-	217,253	-	-	-	33,470,000
Lease liability	6,674,649	-	370,010	571,289	548,982	342,528	4,841,840
Other liabilities	15,621,251	15,621,251	-	-	-	-	-
	1,556,858,793	916,506,729	205,149,818	92,724,591	66,972,842	125,704,906	149,799,907
Total interest sensitivity gap	151,281,845	(691,939,375)	(53,182,252)	(34,819,897)	(20,837,781	(10,672,951)	962,734,101
Off balance sheet							
Guarantees	94,601,926	94,601,926	-	-	-		-
Undrawn commitments	9,824,649	-	9,824,649	-	-	-	-
Acceptance and letters of credit	88,319,212	88,319,212	-	-	-	-	-
Total off balance sheet	192,745,787	182,921,138	9,824,649	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Foreign exchange risk

Foreign exchange risk arises from currency mismatches in an institution's assets and liabilities (both on- and off-balance sheet) that are not subject to a fixed exchange rate and currency cash flow mismatches. This risk may arise from a variety of sources such as foreign currency retail accounts and retail cash transactions and services, foreign exchange trading and investments denominated in foreign currencies.

Types of foreign exchange risks

The Bank is exposed to the following foreign exchange

- Market risk - the risk that the movements in the value of the spot FX rate between Tanzania shilling and other currencies varies adversely.
- Counterparty or settlement risk - the risk that the other party to the contract does not deliver for whatever reason.
- Inappropriate or fraudulent trading - the risk that undisclosed deals or deals outside predetermined limits go undetected.

Foreign exchange risk management Techniques

In measuring foreign exchange risk, the Bank obtains sufficient information to permit appropriate action to be taken within acceptable time frame. The Bank uses the following techniques to measure exposure to its foreign exchange risk:

- The net spot and forward positions in each currency or pairings of currencies in which the institution is authorized to have exposure.
- Transactional and translational gains and losses relating to trading and structural foreign exchange activities and exposures.

The Bank conducts all foreign exchange activities through the Treasury department. To minimize risk, the Bank adheres to the following:

- Making close follow up on the behavior of the Inter-Bank Foreign Exchange Market (IFEM) and general economic conditions.
- Maintaining foreign exchange net position at a level not exceeding 7.5% of the Bank's core capital or any other rate prescribed by BOT.
- Ensure that employees conducting foreign exchange trading activities on behalf of the Bank do so within a written code of conduct governing foreign exchange dealing.

Foreign exchange- Exposure risk

The Bank is exposed to the risk on earnings and capital arising from adverse movement of foreign exchange rates. The Bank's exposure risk is managed within the Bank of Tanzania (BOT) exposure guideline of 7.50% of core capital.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognized in profit or loss. The Bank also has monitoring and control system for its positions in major currencies in which it is active. The Bank ensures that its net exposure is kept to an acceptable level by selling and buying foreign currencies when considered appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Foreign exchange risk (continued)

Foreign exchange risk - stress test

At 31 December 2025, if the TZS had weakened or strengthened by 10% against the USD and EURO with all other variables held constant, the impact on the profit before tax for the year would have been lower or higher by TZS 68,755,000 (2024: TZS 8,639,000,000). During the year the exchange rate appreciated by1.8%. This is as per BOT monetary policy report issued on January 2025.

The carrying amounts of the Bank's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when exchange rates change, as at 31 December 2025 and 31 December 2024 were as follows:

	2025 TZS '000	2024 TZS '000
Cash and balance with Bank of Tanzania	126,573,453	34,769,731
Cheques and items for collection	-	767
Placements and balances with other banks	23,669,445	84,368,360
Loans & advances to customers	94,739,242	79,188,146
Other assets	25,857	-
Customer deposits	(234,893,676)	(77,478,216)
Balances due to other banks	-	(34,073,382)
Other liabilities	(10,801,330)	(89,438)
	(687,009)	86,685,968

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Foreign exchange risk (continued)

The Bank operates wholly within Tanzania and its assets and liabilities are reported in the local currency. The Bank's currency risk is managed within the Bank of Tanzania exposure guideline of 10% of core capital. The Bank's currency position as at 31 December 2025 was as follows:

	Total	USD	GBP	EUR	KES	ZAR	TZS	UGX
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Financial assets								
Cash and balances with Bank of Tanzania	265,234,755	124,682,226	351,686	1,336,216	171,727	31,057	138,661,302	540
Balances with Mobile Network Operators	34,216,520	-	-	-	-	-	34,216,520	-
Cheques and items for collection	375,000	-	-	-	-	-	375,000	-
Placements and balances with other banks	80,895,406	-	-	23,669,445	-	-	57,225,961	-
Treasury bills	187,585,644						187,585,644	
Treasury bonds	140,648,674	-	-	-	-	-	140,648,674	-
Loans and advances to customers	1,524,779,362	94,739,242	-	-	-	-	1,430,040,120	-
Other assets	3,276,586	-	-	25,857	-	-	3,250,729	-
Total financial assets	**2,236,011,947**	**219,421,468**	**351,686**	**25,031,518**	**171,727**	**31,057**	**1,991,003,950**	**540**
Financial liabilities								
Customer deposits	1,662,267,890	207,168,634	246,197	27,478,845	-	-	1,427,374,214	-
Balances due to other banks	187,661,062	-	-	-	-	-	187,661,062	-
Borrowings	180,511,282				-	-	180,511,282	-
Lease liability	13,511,730	-	-	-	-	-	13,511,730	-
Other liabilities	37,890,705	10,655,852	109	144,998	32	340	27,089,304	70
Total financial liabilities	**2,081,842,669**	**217,824,486**	**246,306**	**27,623,843**	**32**	**340**	**1,836,147,592**	**70**
Net position	**155,701,350**	**1,596,982**	**105,380**	**(2,592,325)**	**171,695**	**30,717**	**156,388,429**	**470**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Foreign exchange risk (continued)

Off Balance sheet

	Total	USD	GBP	EUR	KES	ZAR	TZS	UGX
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Guarantees	203,050,533	13,882,312	-	17,971,385	-	-	171,196,837	-
Undrawn commitments	21,028,551	1,573,783	-	-	-	-	19,454,768	-
Acceptance and letters of credit	102,505,414	77,908,647	-	-	-	-	24,596,766	-
Total off balance sheet	326,584,498	93,364,742	-	17,971,385	-	-	215,248,371	-

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Foreign exchange risk (continued)

The Bank's currency position as at 31 December 2024

	Total	USD	GBP	EUR	KES	ZAR	TZS	UGX	KWACHA
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Financial assets									
Cash and balances with Bank of Tanzania	196,938,591	34,310,314	20,736	272,947	155,896	9,314	162,168,860	524	-
TPB Mobile Money Balance	25,182,665	-	-	-	-	-	25,182,665	-	-
Cheques and items for collection	178,912	767	-	-	-	-	178,145	-	-
Placements and balances with other banks	95,670,791	57,467,147	180,480	26,697,492	-	23,241	11,302,431	-	-
Treasury bills	79,957,343						79,957,343		
Treasury bonds	129,221,070	-	-	-	-	-	129,221,070	-	-
Loans and advances to customers	1,178,724,080	79,188,146	-	-	-	-	1,099,535,934	-	-
Other assets	2,267,186	-	-	-	-	-	2,267,186	-	-
Total financial assets	**1,708,140,638**	**170,966,374**	**201,216**	**26,970,439**	**155,896**	**32,555**	**1,509,813,634**	**524**	**-**
Financial liabilities									
Customer deposits	1,303,419,571	62,006,339	94,218	15,377,659	-	-	1,225,941,355	-	-
Balances due to other banks	197,456,069	34,073,382	-	-	-	-	163,382,687	-	-
Borrowings	33,687,253				-	-	33,687,253	-	-
Lease liability	6,069,641	-	-	-	-	-	6,069,641	-	-
Other liabilities	16,045,751	89,263	-	175	-	-	15,956,313	-	-
Total financial liabilities	**1,556,678,285**	**96,168,984**	**94,218**	**15,377,834**	**-**	**-**	**1,445,037,249**	**-**	**-**
Net position	**151,462,353**	**74,797,390**	**106,998**	**11,592,605**	**155,896**	**32,555**	**64,776,385**	**524**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Foreign Exchange Risk (continued)

Off Balance sheet	Total	USD	GBP	EURO	KENYA	RAND	TZS	UGANDA	KWACHA
Guarantee	94,578,661	6,462,599	-	-	-	-	88,116,062	-	-
Undrawn commitment	9,824,649	44,654	-	-	-	-	9,779,995	-	-
Accepted and Letter of credit	88,319,212	84,721,410	-	-	-	-	3,597,802	-	-
Total off balance sheet	192,722,522	91,228,663	-	-	-	-	101,493,859	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

e) Categorization of financial assets and liabilities

All the Bank's financial assets are categorized as loans and receivables except for treasury bills and government stocks which were classified as financial assets held to maturity.

All the financial liabilities are carried at amortized costs using the effective interest rate method.

f) Capital management objectives and policies

The Bank's objective when managing capital are driven by the broader concept of capital as defined by the Bank of Tanzania (BOT) which substantially relies on the guidelines developed by the Basel Committee, for supervisory purposes. Those objectives are intended to:

- sustain a strong capital base to support the development of business;
- safeguard the Bank's ability to continue as a going concern; and
- comply with the capital requirements set out by the BOT;
- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk; and
- to maintain an optimal capital structure to reduce the cost of capital.

As per the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014, the Bank's total regulatory capital is divided into two tiers:

- Tier 1 Capital (Core Capital): share capital, share premium, deferred tax asset, capital grants plus retained earnings less prepaid expenses and intangible assets.
- Tier 2 Capital (Supplementary Capital): subordinated debts.

The Bank monitors the adequacy of its capital using ratios established by BOT. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off- balance sheet commitments and market and other risk positions at a weighted amount to reflect their relative risk.

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

The composition and the ratios of the Bank's regulatory capital and the details of the risk weighted assets for the year ended 31 December 2025 and 31 December 2024 are summarized hereunder.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

f) Capital management objectives and policies (continued)

Capital adequacy

	2025	2024
Tier 1 Capital	**TZS '000**	**TZS '000**
Share capital	80,028,561	80,028,561
Retained earnings (excluding profit for the year)	62,125,093	36,920,942
Qualifying year to date profit/(loss)	35,601,432	31,638,525
Other reserves - acquired in business combination	2,104,510	2,104,510
	179,859,596	150,692,538
Prepaid expenses	(6,917,164)	(3,821,874)
Deferred tax asset	(15,082,382)	(11,814,119)
Intangible asset	-	-
Total qualifying Tier 1 Capital	157,860,050	135,056,545
Tier 2 Capital	26,761,416	-
Total regulatory capital (Tier 1 and Tier 2 Capital)	184,621,466	135,056,545
Risk-weighted assets		
On-balance sheet	1,063,119,761	841,032,438
Off-balance sheet	200,482,653	63,857,624
Market risk	5,990,174	2,436,455
Operation risk	68,478,197	99,905,203
Total risk-weighted assets	1,338,070,785	1,007,231,719
Capital adequacy ratios		
Tier 1 capital	11.80%	13.41%
Tier 1 + Tier 2	13.80%	13.41%

As at 31 December 2025, the Bank's tier 1 and tier 2 capital ratios were below the required minimum of 12.5% and 14.5% respectively as specified on Regulation 8 and 9 of the Banking and Financial Institutions (Capital Adequacy) Regulations, 2023 (the "Regulations").

Regulation 8 (Capital Adequacy Ratios) of the Regulations requires the Bank to maintain, at all times, a core capital ratio and a total capital ratio of not less than 10% and 12% respectively, measured against its total risk-weighted assets and off-balance sheet exposures. Additionally, Regulation 9 (Capital buffers) of the Regulations requires the Bank to maintain a capital conservation buffer of 2.5% of its total risk weighted assets and off-balance sheet exposures made up of common equity tier 1 capital elements. The Bank received waiver to comply with capital conservation buffer of 2.5% of risk weighted assets by 31 December 2026.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT REPORTING

The Bank has the following business segments: Corporate banking, Retail banking, Small & Medium Enterprises (SME) banking and Treasury. The operating segments are reported in a manner consistent with the internal reporting provided to The Chief Operating Decision-Maker (CODM), which is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

Operating segments

The Bank comprises the following main operating segments:

(i) **Corporate Banking** - includes loans & advances to customers, customers deposits for customers in corporate banking;

(ii) **Retail Banking** - includes loans & advances to customers, customers deposits for customers in retail banking;

(iii) **Small & Medium Enterprises Banking** - includes loans & advances to customers, customers deposits used to facilitate lending for mid-sized customers;

(iv) **Treasury** - undertakes the Bank's funding and centralized risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. The segment includes cash and balances with Bank of Tanzania, placements and balances with other banks, government and debt securities and public bonds like STAWI bond.

Assets and liabilities that don't fall under these categories are classified as unallocated balances.

All balances presented are measured in a manner consistent with that of the financial statements

In arriving at segmented net interest income, an internal allocation of interest income and interest expenses between businesses has been done to recognize and measure how much each source of funding and each user of funding is contributing to overall profitability of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT REPORTING (CONTINUED)

Segment revenues and results

The following is an analysis of the Bank's revenue and results from operations by reportable segments

	Corporate TZS '000	Retail TZS '000	SME TZS '000	Treasury TZS '000	Total TZS '000
Interest and Similar Income	37,860,574	105,951,113	40,157,385	33,280,236	217,249,308
Interest and Similar Expense	(20,756,130)	(34,823,794)	(6,899,283)	(18,908,715)	(81,387,922)
Net Interest Income	**17,104,444**	**71,127,319**	**33,258,102**	**14,371,521**	**135,861,386**
Loan impairment losses	1,807,406	5,057,946	1,917,053	-	8,782,405
Impairment charges on financial instruments	-	-	-	(105,122)	(105,122)
Total impairment charges	**1,807,406**	**5,057,946**	**1,917,053**	**(105,122)**	**8,677,283**
Net interest Income after impairment	**18,911,850**	**76,185,265**	**35,175,155**	**14,266,399**	**144,538,669**
Fees and commission income	1,839,310	38,022,026	2,347,164	-	**42,208,500**
Fees and commission expense	-	(17,977,417)	-	-	**(17,977,417)**
Net fee and commission income	**1,839,310**	**20,044,609**	**2,347,164**	**-**	**24,231,083**
Foreign exchange trading income	-	-	-	9,561,434	9,561,434
Other operating income	-	3,619,763	-	108,371	3,728,134
Net operating income	**-**	**3,619,763**	**-**	**9,669,805**	**13,289,568**
Depreciation and amortisation	-	-	-	-	(9,531,506)
Administrative cost	-	-	-	-	(124,798,519)
Total operating expenses	**-**	**-**	**-**	**-**	**(134,330,025)**
Profit Before Taxation	**20,751,160**	**99,849,637**	**37,522,319**	**23,936,204**	**47,729,295**
Income tax expenses	-	-	-	-	(12,127,863)
Profit for the year	**20,751,160**	**99,849,637**	**37,522,319**	**23,936,204**	**35,601,432**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT REPORTING (CONTINUED)

Segment assets, liabilities, equity and results

	Corporate TZS '000	Retail TZS '000	SME TZS '000	Treasury TZS '000	Total TZS '000
Assets					
Segments assets	302,983,331	847,885,211	321,363,806	709,252,803	2,181,485,150
Unallocated assets	-	-	-	-	91,333,694
Total Assets	**302,983,331**	**847,885,211**	**321,363,806**	**709,252,803**	**2,272,818,844**
Liabilities					
Segments assets	552,219,689	926,491,800	183,556,402	368,172,344	2,030,440,234
Unallocated liabilities	-	-	-	-	62,519,014
Total Liabilities	**552,219,689**	**926,491,800**	**183,556,402**	**368,172,344**	**2,092,959,248**
Equity	-	-	-	179,859,596	179,859,596
Total Liabilities & Equity	**552,219,689**	**926,491,800**	**183,556,402**	**548,031,940**	**2,272,818,844**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025 TZS'000	2024 TZS'000
7. INTEREST AND SIMILAR INCOME		
Loans and advances to customers	183,969,072	152,504,766
Government securities	31,057,447	23,247,013
Placements with other banks	2,222,789	3,108,455
	217,249,308	178,860,234
8. INTEREST AND SIMILAR EXPENSE		
Balances due to other banks (note 30)	13,551,832	8,688,267
Borrowings- from banks (note 31(a))	1,742,752	1,319,939
Borrowings - Stawi bond (note 31(b))	2,437,952	-
Lease liabilities (note 28 (d))	1,176,179	730,209
Customer deposits (note 29 (c))	62,479,207	47,220,118
	81,387,922	57,958,533
9. IMPAIRMENT CHARGE ON FINANCIAL INSTRUMENTS		
Loans and advances to customers (note 23 (c))	5,698,430	5,257,300
Government securities (note 21 & 22)	5,990	(14,497)
Cash and balances with Bank of Tanzania (note 18)	3,500	(52,903)
Placements and balances with other banks (note 20)	98,398	(51,388)
Other assets (note 24)	(2,766)	16,224
	5,803,552	5,154,736
Recovery from charged off loans*	(14,480,835)	(9,237,875)
	(8,677,283)	(4,083,139)

* A significant portion of the recoveries from charged-off loans is attributable to written-off non-performing loans inherited from previous bank mergers.

10. FEES AND COMMISSION INCOME		
Loan administration fees	5,792,196	4,038,774
Insurance commission	6,694,893	3,285,417
Digital income - e-channels	10,495,576	8,543,687
MNOs Commission	1,103,580	1,255,789
Other fees and commissions	18,122,255	10,414,304
	42,208,500	27,537,971
Breakdown of other fees and commissions is as below:		
Commission from Banks	5,716,849	1,651,641
Fees from other Bank operations	12,405,406	8,762,663
	18,122,255	10,414,304

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025 TZS '000	2024 TZS '000
11. FEES AND COMMISSION EXPENSE		
Digital banking - M-KOBA Service fees	17,769,919	8,856,201*
Agency service fees to Tanzania Posts Corporation (TPC)	207,498	225,000
	17,977,417	9,081,201

*Comparative figures are restated to include Digital banking - M-KOBA Service fees which were previously incorrectly presented under administrative expenses (Note 14). The restatement resulted in a decrease of TZS 8,856,201,000 in admin expenses and increase of the same amount in fees and commission expenses.

12. FOREIGN EXCHANGE INCOME		
Net gain on foreign exchange transactions	318,155	6,673
Western Union settlement gain	888,961	1,703,365
Revaluation gain	8,354,318	7,849,774
	9,561,434	9,559,812
13. OTHER INCOME		
Grant revenue (note 33)	108,372	38,559
Gain on disposal of property & equipment and intangible assets	-	112,647
Sundry income	1,319,762	1,068,129
Income realized from indemnity fund	2,300,000	9,251,974
	3,728,134	10,471,309
14. ADMINISTRATIVE EXPENSES		
Staff costs (note 16)	77,218,703	63,808,478
Telephone and electronic mail expenses	2,438,130	2,133,197
Security expenses	2,712,590	2,818,818
Printing and stationery	562,899	914,573
Auditors' remunerations	618,904	630,000
Board of Directors' expenses (note 40(c))	404,074	556,599
Repairs and maintenance	1,607,073	1,978,773
Advertising and promotion expenses	7,142,996	6,541,471
Travelling on duty	995,348	1,346,392
Insurance expense	2,478,209	2,372,685
Consultancy fees	794,137	720,440
License fees	2,884,335	1,917,565
Non-claimable taxes	536,594	3,949,840
Other assets written off	257,756	31,060
Electricity and cleaning expenses	1,471,494	1,528,902
Digital banking - POPOTE expenses	6,472,411	4,765,415
Other operating expenses	16,202,866	13,879,948
	124,798,519	109,894,156*

*Comparative figures are restated to correctly exclude Digital banking - M-KOBA Service fees which is now presented under fees and commission expenses (Note 11). The restatement resulted in a decrease of TZS 8,856,201,000 in admin expenses and increase of the same amount in fees and commission expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025 TZS'000	2024 TZS'000
14. ADMINISTRATIVE EXPENSES (CONTINUED)		
Breakdown of auditor's renumerations is as below:		
Audit of financial statements - Deloitte & NAOT	576,904	588,000
Regulatory services (IT Enhanced Audit) - Deloitte	30,000	30,000
Regulatory services (Bancassurance) - Deloitte	12,000	12,000
	618,904	630,000
15. DEPRECIATION AND AMORTIZATION		
Depreciation of property and equipment (note 27)	3,587,478	3,941,987
Amortization of intangible (note 26)	609,222	804,712
Amortization of right-of-use-assets (note 28 (d))	5,334,806	4,896,033
	9,531,506	9,642,732
16. STAFF COSTS		
Salaries and wages	37,828,034	33,614,493
Bonus	1,738,451	-
Leave travel and transport allowance	6,392,879	5,469,410
Pension funds contributions	6,003,659	5,216,525
Responsibility allowances	8,342,367	5,130,137
Medical expenses	4,695,731	3,749,371
Interest and service cost (note 34)	1,890,769	1,719,633
Staff loan benefit-fair value	546,663	390,031
Training	1,290,414	1,527,048
Skills and development levy	1,989,462	1,556,250
Other staff costs	6,500,274	5,435,580
	77,218,703	63,808,478
17. TAXATION		
(a) Income tax expense		
Current taxation at applicable rate of 30% (2024: 30%)	12,393,423	11,048,865
Deferred tax (credit)/charge - (note 25)	(2,671,263)	77,449
Prior year deferred tax under provision	(177,039)	(1,690,044)
Prior year current tax	2,582,742	2,861,047
	12,127,863	12,297,317
(b) Reconciliation of accounting profit to tax expense		
Profit before tax	47,729,295	43,935,843
Tax at the applicable rate of 30% (2024: 30%)	14,318,789	13,180,753
Tax effect on items disallowed for tax purposes	(4,596,629)	(2,054,439)
Prior year deferred tax under provision	(177,039)	(1,690,044)
Prior year current tax	2,582,742	2,861,047
	12,127,863	12,297,317

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025 TZS'000	2024 TZS'000
17. TAXATION (CONTINUED)		
(c) Tax movement		
(i) Current tax liabilities (+)		
At 1January	3,325,484	857,601
Current year tax charges	12,393,423	11,048,866
Prior year current tax	838,250	965,382
Tax installments paid - current year	(11,660,113)	(8,995,743)
Tax paid with respect to previous periods	(3,053,107)	(550,622)
	1,843,937	3,325,484
(ii) Tax asset		
Balance as at 1 January	(4,246,451)	(6,142,116)
Tax utilized	1,744,492	1,895,665
Balance as at 31 December	(2,501,959)	(4,246,451)
As 31 December	**(658,022)**	**(920,967)**

18. CASH AND BALANCES WITH BANK OF TANZANIA

Cash on hand	49,097,411	41,077,355
Balance with Bank of Tanzania	91,277,981	62,491,723
Statutory Minimum Reserves (SMR)	124,859,363	93,369,513
Balances with Mobile Network Operators (MNOs)	34,748,592	25,182,665
	299,983,347	222,121,256
less: allowance for impairment	(11,227)	(7,727)
	299,972,120	222,113,529

As at 31 December 2025 and 2024, balance with Bank of Tanzania was classified as high grade under stage 1. There were no transfers between stages for both years. Statutory Minimum Reserves (SMR) has been reported separately because it is not available to finance day to day operations of the Bank.

	2025 TZS'000	2024 TZS'000
Movement of provision on Bank of Tanzania		
At 1 January	7,727	60,630
Charge/(release) for the year	3,500	(52,903)
At 31 December	11,227	7,727

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CHEQUE AND ITEMS IN THE COURSE OF COLLECTION

Cheque and items for clearing represent the balance of cheques deposited by Bank customers, which are still in clearance process. Once the Bank receives a cheque, it debits cheques clearance account, the balance remain in this account until the cheque is cleared. The balance as at 31 December 2025 was TZS 375,000,000 (2024: TZS 178,912,000).

20. PLACEMENTS AND BALANCES WITH OTHER BANKS

	2025 TZS'000	2024 TZS'000
Placements with other local banks	63,518,201	34,413,354
Balances with other local banks	14,621,976	6,050,334
Balances with foreign banks	2,755,230	55,207,103
	80,895,407	95,670,791
less: allowance for impairment	(207,639)	(109,241)
	80,687,768	95,561,550
Movement of provision on placements with other banks		
At 1 January	109,241	3,443,950
Write off	-	(3,283,321)
Charge/ (release) for the year	98,398	(51,388)
At 31 December	207,639	109,241

Placements and balances with other banks of TZS 80,895,407,000 (2024: TZS 95,670,791,000) had maturity of less than 3 months from the date of acquisition. The balance includes accrued interest of TZS 16,944,000 (2024: TZS 10,989,000) which does not form part of the cash and cash equivalent on the cashflow statement. The weighted average interest rate on placements was 4.54% (2024: 2.44%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. TREASURY BILLS

	2025 TZS'000	2024 TZS'000
a) Treasury bills at amortized cost		
Maturing within 3 months	64,367,623	33,560,869
Maturing between 3 months to 1 year	123,218,021	46,396,474
	187,585,644	79,957,343
less: allowance for impairment	(6,499)	(3,980)
	187,579,145	79,953,363

As at 31 December 2025 treasury bills amounting to TZS 41,750,000,000 (2024: TZS 48,500,000,000) were pledged as collateral with the Bank of Tanzania. The weighted average interest rate of Treasury bills at 31 December 2025 was 9.25% (2024: 7.7%).

The movement in treasury bills is summarized as follows:

b) Treasury bills	2025 TZS'000	2024 TZS'000
At 1 January	79,957,343	19,861,042
Additions	179,258,890	80,096,301
Interest income	12,369,411	1,466,754
Bills matured	(75,273,250)	(20,000,000)
Coupon received	(8,726,750)	(1,466,754)
	187,585,644	79,957,343

22. TREASURY BONDS

a) Treasury bonds - at amortized cost:	2025 TZS '000	2024 TZS '000
Maturity over 1 year	140,648,674	129,221,070
	140,648,674	129,221,070
less: allowance for impairment	(9,904)	(6,433)
	140,638,770	129,214,637

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. TREASURY BONDS (CONTINUED)

The weighted average interest rate of Treasury bond at 31 December 2025 was 13.97% (2024: 14.82%).

The movement in treasury bonds is summarized as follows:

b) Treasury bonds - at amortized cost (Movement during the year):

	2025 TZS '000	2024 TZS '000
At 1 January	129,221,070	127,708,691
Addition	9,866,280	12,518,680
Interest income	18,688,036	18,423,962
Bonds matured	-	(11,000,000)
Coupon received	(17,126,712)	(18,430,263)
At 31 December	140,648,674	129,221,070
less: allowance for impairment	(9,904)	(6,433)
	140,638,770	129,214,637

As at 31 December 2025, treasury bonds worth TZS 129,250,000,000 were pledged as security to secure interbank borrowings as indicated below;

c) Treasury bonds pledged with banks as collateral	2025 TZS'000	2024 TZS'000
Bank of Tanzania	100,150,000	90,500,000
NMB Bank Plc	11,500,000	-
NBC Bank Tanzania Limited	-	5,000,000
EXIM Bank	6,600,000	-
PBZ Bank	5,000,000	-
TADB Bank Limited	6,000,000	6,000,000
	129,250,000	101,500,000

23. LOANS AND ADVANCES TO CUSTOMERS

	2025 TZS'000	2024 TZS'000
(a) Loans and advances		
Loans and advances to customers	1,390,823,768	1,086,633,751
Loans and advances to staff	133,955,594	92,090,329
Gross loans and advances	1,524,779,362	1,178,724,080
Interest in suspense	(4,000,637)	(2,528,033)
Staff loan benefit fair valuation	(22,331,690)	(15,140,932)
less: allowance for impairment (note 23(c))	(26,214,688)	(24,006,600)
Net loans and advances	1,472,232,347	1,137,048,515

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	2025 TZS'000	2024 TZS'000
(b) Analysis of loans and advances to customers by maturity		
Within 1 year	295,950,677	195,411,141
Between 1 year and 3 years	295,609,830	253,699,017
Over 3 years	933,218,855	729,613,922
	1,524,779,362	1,178,724,080
(c) Movement of provision for impairment of loans and advances		
At 1 January	24,006,600	24,991,458
Write offs	(3,490,342)	(6,242,158)
Loan impairment charge	5,698,430	5,257,300
Impairment charge - on balance sheet items	5,639,295	5,295,052
Impairment charge/(gains) - off balance sheet items	59,135	(37,752)
At 31 December	26,214,688	24,006,600

The weighted average interest rate on loans and advances to customers during the year was 13.91% (2024: 14.63%).

24. OTHER ASSETS

	2025 TZS'000	2024 TZS'000
Prepayments	6,917,164	3,821,874
Staff receivables	1,881,509	2,677,357
Staff loan benefit fair value	20,931,698	14,287,603
Western Union International receivable	307,729	2,319
Tanzania Posts Corporation Western Union Agents	799,775	746,819
Other receivables	5,034,304	8,523,577
	35,872,179	30,059,549
less: allowance for impairment	(17,679)	(20,445)
	35,854,500	30,039,104
Movement of allowance of impairment of other assets		
At 1 January	20,445	4,221
(Release)/ charge for the year	(2,766)	16,224
At 31 December	17,679	20,445

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. DEFERRED TAX

Deferred taxation is calculated on all temporary differences under the liability method using corporation tax rate of 30% (2024: 30%).

	2025 TZS'000	2024 TZS'000
The movement on the deferred tax account is as follows:		
At 1 January	11,814,120	10,264,091
Deferred tax credit (note 17)	2,671,263	(77,449)
Prior year deferred tax under provision (note 17)	177,039	1,690,044
Deferred tax on actuarial gain from defined benefit	614,732	(62,567)
At 31 December	15,277,154	11,814,120
The deferred tax asset is attributable to:		
Accelerated tax allowances	(1,172,366)	(1,185,949)
Temporary difference on provisions for loan impairment	7,864,406	7,201,980
Deferred tax on interest in suspense	1,200,191	788,752
Deferred tax on unearned loan administration fee	3,385,188	2,139,632
Deferred tax on lease liability	441,613	685,992
Deferred tax on staff benefits	821,795	878,798
Deferred tax on ECL on placement with other Banks	1,067,306	1,035,769
Deferred tax on unearned interest	621,144	-
Deferred tax on actuarial loss from defined benefit	614,732	-
Deferred tax on staff loan benefit fair valuation	433,145	269,146
	15,277,154	11,814,120

26. INTANGIBLE ASSETS

Cost		
At 1 January	11,437,589	13,605,802
Additions	312,697	253,997
Addition transfers from PPE	583,442	-
Disposals	-	(2,422,210)
At 31 December	12,333,728	11,437,589
Amortization		
At 1 January	9,863,208	11,475,879
Charge for the year	609,222	804,712
Disposal	-	(2,417,383)
At 31 December	10,472,430	9,863,208
Net book value	1,861,298	1,574,381

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. PROPERTY AND EQUIPMENT

YEAR 2025	Leasehold improvements TZS'000	Land and buildings TZS '000	Motor vehicles TZS '000	Computers TZS '000	Data communi-cation equipment TZS '000	Office furniture fittings & equipment TZS '000	Residential furniture, fittings & equipment TZS '000	Work in Progress TZS '000	Total TZS '000
COST									
At 1 January	19,217,540	9,458,169	3,467,245	11,713,259	2,659,705	18,914,310	111,231	2,640,478	68,181,937
Additions	56,147	-	517,483	714,986	842,813	757,750	-	2,160,302	5,049,481
Transfers	1,575,161	84,287	-	121,436	-	360,656	-	(2,141,540)	-
Transfers to Intangible assets	-	-	-	-	-	-	-	(583,442)	(583,442)
At 31 December	20,848,848	9,542,456	3,984,728	12,549,681	3,502,518	20,032,716	111,231	2,075,798	72,647,976
DEPRECIATION									
At 1 January	17,480,157	2,795,159	3,394,315	9,143,680	1,908,420	13,794,474	88,134	-	48,604,339
Charge for the year	845,757	106,165	150,468	948,455	308,614	1,221,989	6,030	-	3,587,478
At 31 December	18,325,914	2,901,324	3,544,783	10,092,135	2,217,034	15,016,463	94,164	-	52,191,817
NET BOOK VALUE									
At 31 December	2,522,934	6,641,132	439,945	2,457,546	1,285,484	5,016,253	17,067	2,075,798	20,456,159

Property and equipment with a gross carrying amount of TZS 46.58 billion were fully depreciated as at 31 December 2025 (2024: TZS 39.96 billion). During the year, the Bank did not dispose any property and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. PROPERTY AND EQUIPMENT (CONTINUED)

YEAR 2024	Leasehold improvements TZS'000	Land and buildings TZS '000	Motor vehicles TZS '000	Computers TZS '000	Data communi-cation equipment TZS '000	Office furniture fittings & equipment TZS '000	Residential furniture, fittings & equipment TZS '000	Work in Progress TZS '000	Total TZS '000
COST									
At 1 January	22,269,791	9,458,169	3,661,207	12,464,896	2,681,140	19,678,310	126,532	73,217	70,413,262
Additions	40,166	-	-	1,616,839	266,598	530,592	-	2,567,261	5,021,456
Write-offs	(3,092,417)	-	(193,962)	(2,368,476)	(288,033)	(1,294,592)	(15,301)	-	(7,252,781)
At 31 December	19,217,540	9,458,169	3,467,245	11,713,259	2,659,705	18,914,310	111,231	2,640,478	68,181,937
DEPRECIATION									
At 1 January	19,414,575	2,668,620	3,535,717	10,526,994	1,903,616	13,755,184	96,571	-	51,901,277
Charge for year	1,157,197	126,539	52,560	983,428	292,837	1,322,579	6,847	-	3,941,987
Write-offs	(3,091,615)	-	(193,962)	(2,366,742)	(288,033)	(1,283,289)	(15,284)	-	(7,238,925)
At 31 December	17,480,157	2,795,159	3,394,315	9,143,680	1,908,420	13,794,474	88,134	-	48,604,339
NET BOOK VALUE									
At 31 December	1,737,383	6,663,010	72,930	2,569,579	751,285	5,119,836	23,097	2,640,478	19,577,598

Property and equipment with a gross carrying amount of TZS 39.96 billion were fully depreciated as at 31 December 2024 (2023: TZS 44.17 billion). During the year, the Bank disposed of property and equipment with total gross carrying amount of TZS 7.25 billion.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. LEASES

	2025 TZS'000	2024 TZS '000
a) Right of-use-asset		
At 1 January	10,328,655	10,346,319
Lease additions	12,232,711	4,878,369
Amortization for the year	(5,334,806)	(4,896,033)
At 31 December	17,226,560	10,328,655
b) Lease liabilities		
At 1 January	6,069,641	7,184,933
Interest expense	1,176,179	730,209
Lease additions	12,232,711	4,878,369
Lease payments - principal	(5,445,899)	(6,136,876)
Lease payments - interest	(520,902)	(586,994)
At 31 December	13,511,730	6,069,641
c) Lease liabilities maturity analysis		
Up to 1 month	808,168	370,010
1 - 3 months	901,198	571,289
3 - 6 months	744,372	548,982
6 - 12 months	2,313,306	342,528
Over 1 year	12,463,737	4,841,841
less: discount (unearned interest)	(3,719,051)	(605,009)
	13,511,730	6,069,641
d) Amount recognized in statement of profit and loss		
Amortization of right-of-use asset	5,334,806	4,896,033
Interest expense on lease liability	1,176,179	730,209

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2025 TZS '000	2024 TZS '000
29. CUSTOMER DEPOSITS		
(a) Customer deposits		
Postal savings	854,184	797,524
WADU savings	38,337,006	29,540,435
Domicile savings	595,910,698	394,330,252
Time deposits	491,488,499	402,536,104
Call accounts	171,690,539	217,495,937
Notice accounts	2,020,531	2,338,710
Current accounts	265,199,033	120,234,306
Dormant accounts	28,312,033	46,784,093
Special account deposits	68,453,618	89,358,130
Group savings	1,749	4,080
	1,662,267,890	1,303,419,571
(b) Analysis of customer deposits by maturity		
Maturing within 1 year	591,289,639	1,194,601,926
Maturing over 1 year	1,070,978,251	108,817,645
	1,662,267,890	1,303,419,571
(c) Interest expense on customer deposits		
Time deposit	49,339,963	36,466,679
Other deposit	13,139,244	10,753,439
	62,479,207	47,220,118

The weighted average interest rate on savings deposits was 1.89% (2024: 1.52%) whereas time deposits was 11.59% (2024: 10.94%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. BALANCES DUE TO OTHER BANKS

	2025 TZS'000	2024 TZS'000
Balances due to banking institutions	186,947,500	196,838,004
Interest payable	713,562	618,065
	187,661,062	197,456,069
Interest expense due to banks (Note 8)	13,551,832	8,688,267

All balances due to banks has maturity less than ninety days.The weighted average interest rate on balances due to other banking institutions was 7.04% (2024: 11.05%).

31. BORROWINGS

	2025 TZS'000	2024 TZS'000
a) Borrowings due to BOT and TADB	37,619,796	33,470,000
Interest payable	208,875	217,253
b) Borrowings -Stawi Bond	140,244,659	-
Interest payable	2,437,952	-
	180,511,282	33,687,253
Interest expense (Note 8)	1,742,752	1,319,939
Interest expense -Stawi Bond (Note 8)	2,437,952	-
	4,180,704	1,319,939

The movement in borrowings during the year is as below:

At 1 January	33,687,253	12,132,164
Addition	145,244,659	33,470,000
Interest expense	4,180,704	1,319,939
Repayments - principal	(840,435)	(12,000,000)
Repayments - interest	(1,760,899)	(1,234,850)
At 31 December	**180,511,282**	**33,687,253**

Details of borrowings added during the year are as follows:

- During the year Tanzania Commercial Bank issued a Medium-term Note, the first Tranche (Stawi Bond) which raised TZS 140.2 billion, versus a target of TZS 50 billion, with interest of 13.5% per annum. The amount raised will support liquidity position and foster SME growth.
- TZS 5.0 billion was borrowed from Tanzania Agriculture Development Bank (TADB) to support various beneficiaries in agricultural, aquatic, and livestock production.

The weighted average interest rate on borrowings disclosed in Note 31 (a) was 7% (2024: 8%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. OTHER LIABILITIES

	2025 TZS '000	2024 TZS '000
Retention money	66,016	17,127
Payroll liabilities	327,225	1,988,738
Other taxes payable	2,955,345	1,488,410
Accrued expenses	3,001,639	477,882
Agency fees payable	207,498	225,000
Supplier liabilities	2,719,919	7,037,348
Credit life insurance premium	1,235,387	1,574,931
Indemnity fund	32,233	1,644,653
Un-earned loan administration fee	11,283,961	8,422,369
Tax payable	7,495	24,771
Other payables	16,053,986	15,077,574
	37,890,704	37,978,803

33. REVENUE GRANT

	2025 TZS '000	2024 TZS '000
The movement in revenue grant during the year is as below:		
At 1 January	204,641	42,589
Recognized to profit & loss (note 13)	(108,372)	(38,559)
Received during the year	344,400	200,611
At 31 December	440,669	204,641

During the year, the Bank received funds totalling TZS 344,400,000 from the Financial Sector Deepening Trust (FSDT). These funds are specifically designated to support initiatives related to financial inclusion and digitisation. In prior periods, the Bank received funds from Water.Org. These funds were allocated to projects aimed at promoting access to clean water and sanitation for Tanzanians.

34. EMPLOYMENT BENEFIT OBLIGATION

The Bank entered in to a Collective Bargaining Agreement (CBA) with the Tanzania Union of Industrial and Commercial Workers (TUICO), whereby, a retiring employee having six years of service is entitled to a lump sum of twelve months' basic salary for clerk up to managers, and ten months' basis salaries for senior managers and above. Other benefits covered and included are provision of building materials, repatriation benefit, long service awards to permanent employees and funeral services benefit.

The Bank provides for defined benefit obligation cost based on assessments made by independent actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method as required by IAS 19. In 2025 assessment was done by NYUX TZ Co Ltd (2024: NYUX TZ Co Ltd).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. EMPLOYMENT BENEFIT OBLIGATION (CONTINUED)

The significant assumptions used for the purposes of the actuarial valuations were as follows:

	2025 TZS '000	2024 TZS '000
Discount rate	12.0%	15.8%
Future salary increases	4.0%	5.0%

Amount recognised in statement of profit or loss and other comprehensive income that will not be reclassified to profit or loss in respect of this defined benefit obligation:

	2025 TZS '000	2024 TZS '000
Recognised in profit or loss (note 16)	1,890,769	1,719,633
- Service cost	620,640	511,530
- Past service cost	-	-
- Plan Amendment	-	-
- Interest cost	1,270,129	1,208,103
Recognised in other comprehensive income		
- Actuarial loss in experience	551,075	31,828
- Actuarial loss/ (gain) in assumptions	1,498,032	(240,383)
Net actuarial loss/ (gain) for the year	2,049,107	(208,555)

The movement in defined benefit obligation is as follows:

At 1 January	8,816,815	8,948,912
Service cost	620,641	511,530
Interest cost	1,270,129	1,208,103
Benefit paid during the year	(2,080,781)	(1,643,175)
Actuarial loss/ (gain) recognised in OCL	2,049,107	(208,555)
At 31 December	10,675,911	8,816,815

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. SHARE CAPITAL

a. Authorized share capital

500,000,000 (2023: 500,000,000) ordinary shares of TZS 1,000 each	500,000,000	500,000,000

b. Issued and Paid up capital

The issued and paid up share capital is 80,028,561 (2024: 31,371,963 ordinary shares of TZS 1,000 each	80,028,561	80,028,561

The Bank was registered under the Companies Act, 2002 as a public limited company on 29 March 2016 with authorized share capital of 500,000,0000 shares at a par value of TZS 1,000 each. The registration of TPB under the Companies Act, followed after the repeal of Tanzania Postal Bank Act No. 11 of 1991. There was no issuance of bonus shares approved during the year.

	2025 TZS'000	%	2024 TZS'000	%
The share capital is held by the following shareholders:				
Government of the United Republic of Tanzania	66,775,831	83.44	66,775,831	83.44
Tanzania Posts Corporation	6,090,173	7.61	6,090,173	7.61
Revolutionary Government of Zanzibar	2,328,831	2.91	2,328,831	2.91
Posta na Simu Savings & Credit Cooperative Society Ltd	2,136,763	2.67	2,136,763	2.67
Public Service Social Security Fund (PSSSF)	1,880,671	2.35	1,880,671	2.35
Workers' Compensation Fund (WCF)	816,292	1.02	816,292	1.02
	80,028,561	100.00	80,028,561	100.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Note	2025 TZS'000	2024 TZS'000
36. NOTES TO THE STATEMENT OF CASHFLOWS			
Profit before tax		47,729,295	43,935,843
Adjustment for:			
Depreciation and amortization	15	9,531,506	9,642,732
Loss on disposal of property and equipment and intangible assets	26&27	-	(112,647)
Impairment charge on loans and advances	9	5,698,430	5,257,300
Impairment credit/(charge) on other financial instruments	9	105,122	(102,564)
Defined benefit cost recognized in profit or loss	34	1,890,769	1,719,633
Interest income	7	(217,249,308)	(178,860,234)
Interest expense	8	81,387,922	57,958,533
Grant revenue	33	-	(38,559)
Foreign exchange loss on cash and cash equivalents		953,513	92,462
Operating cash flows before movements in working capital		(69,952,751)	(60,507,501)
Change in working capital items:			
Statutory minimum reserve		(6,517,977)	(16,039,793)
Loans and advances to customers		(332,978,752)	(226,387,366)
Other assets		(5,812,630)	(17,777,671)
Placements maturing over 3 months		-	2,341,043
Balances due to other banks		(9,890,504)	117,269,354
Customer deposits		349,550,174	174,756,395
Revenue grant		236,028	-
Other liabilities		(88,099)	(3,394,870)
Cash used in operations		(75,454,511)	(29,740,409)*

* Prior period presentation which included cash used in operations, interest received, interest paid, tax paid and employee benefits paid during the year is now included as part of the main cashflow statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. ASSETS PLEDGED AS SECURITY

As at 31 December 2025, the Bank had Treasury bond and bills TZS 129,250,000,000 and TZS 16,000,000,000 respectively pledged with various banks as collaterals to secure short/long term borrowings as indicated below.

	2025 TZS '000	2024 TZS '000
Bank of Tanzania	100,150,000	90,500,000
TADB Bank Limited	6,000,000	6,000,000
NMB	11,500,000	-
PBZ	5,000,000	-
EXIM	6,600,000	-
NBC Bank Tanzania Limited	-	5,000,000
	129,250,000	**101,500,000**

In case Bank default to honor its obligations, the pledged collaterals will be used as fallback position to cover the losses. At the end of the year 2025, the outstanding interbank borrowings (note 30) were TZS 187,661,062,000 (2024: TZS 197,088,599,000) while long-term borrowings (note 31) were TZS 180,511,282,000 (2024: TZS 34,054,722,000)

38. CONTINGENT LIABILITIES

Legal claims

As at 31 December 2025, there were a number of commercial and labor cases the Bank is involved. In the opinion of the Directors the amount which may be awarded against the Bank in the event of the Bank losing the cases are not likely to be material. Consequently, no provision has been made in the financial statements.

39. COMMITMENTS

	2025 TZS '000	2024 TZS '000
a) Capital commitments		
Authorized and contracted for	1,604,010	1,139,941
Authorized but not contracted for	6,807,007	1,929,734
	8,411,017	**3,069,675**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. COMMITMENTS(CONTINUED)

b) Commitments to extend credit

To meet the financial needs of the customers, the Bank enters various irrevocable commitments and contingent liabilities. This comprises of financial guarantees, letters of credit (LCs) and commitments to lend. These obligations are not recognized on the statement of financial position; they contain the credit risk and, therefore form part of the overall risk of the Bank.

Letters of credit and guarantee (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of specific act and generally related to the import or export of goods. Guarantees and letters of credit carry a similar credit risk to loans and advances. The nominal values of such commitments are listed below:

c) Loan commitment guarantees and other facilities

At 31 December 2025, the Bank had the contractual amount of the off-balance sheet instruments that commit it to extend credit to customers, guarantees and letters of credit as follows:

Letter of credit and guarantees have zero impairment charges following the cash covers that secured the exposure on default.

As at 31 December 2025	Not later than 1 Year TZS '000	1-5 Years TZS '000	Total TZS 000
Loan commitments (Undrawn balance)	26,297,680	-	26,297,680
Letters of credit and guarantees	277,163,708	28,392,239	305,555,947
Total	**303,461,388**	**28,392,239**	**331,853,627**
As at 31 December 2024			
Loan commitments (Undrawn balance)	9,824,649	-	9,824,649
Letters of credit and guarantees	172,905,415	10,015,723	182,921,138
Total	**182,730,064**	**10,015,723**	**192,745,787**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. COMMITMENTS(CONTINUED)

c) Loan commitment guarantees and other facilities (continued)

The table below shows the credit quality and maximum exposure to credit risk based on the bank's internal credit rating system and year end stage classification of undrawn commitments.

Descriptions (TZS'000) 2025

	Stage 1	Stage 2	Stage 3	Total
Performing:				
Current category	326,584,498	-	-	326,584,498
	326,584,498			**326,584,498**

Descriptions (TZS'000) 2024

	Stage 1	Stage 2	Stage 3	Total
Performing:				
Current category	192,745,787	-	-	192,745,787
	192,745,787			**192,745,787**

The table below shows the analysis of changes in gross amount of undrawn commitments during the year:

Descriptions (TZS'000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2025	192,745,787	-	-	192,745,787
New assets originated	157,339,016	-	-	157,339,016
Exposures derecognized/ matured	(23,500,305)	-	-	(23,500,305)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
At 31 December 2025	326,584,498	-	-	326,584,498

Descriptions (TZS'000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	174,027,081	-	-	174,027,081
New assets originated	192,745,787	-	-	192,745,787
Exposures derecognized/ matured	(174,027,081)	-	-	(174,027,081)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
At 31 December 2024	192,745,787	-	-	192,745,787

ECL allowance for undrawn commitments have been included within ECL for loans and advances to customers due to challenges of separating them.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. COMMITMENTS (CONTINUED)

d) Loan commitment guarantees and other facilities (continued)

The table below shows the analysis of changes in loss allowance amount of undrawn commitments between the beginning and the end of the year:

Descriptions (TZS'000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2025	29,832	-	-	29,832
New assets originated	177,467	-	-	177,467
Exposures derecognized/ matured	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
At 31 December 2025	207,299	-	-	207,299

Descriptions (TZS'000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	29,832	-	-	29,832
New assets originated	-	-	-	-
Exposures derecognized/ matured	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
At 31 December 2024	**29,832**	-	-	**29,832**

40. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Bank entered into several related party transactions in the normal course of business. The transactions include loans, deposit, compensations and Directors fees to members of the Board key management.

a) Loans and advances

Loans issued	2025 TZS '000	2024 TZS '000
Government of Zanzibar	39,625,472	10,000,000
United Republic of Tanzania	12,664,069	12,337,500
Directors and key management personnel	1,172,157	1,908,100
At 31 December	53,461,698	24,245,600

Loans repayment		
Government of Zanzibar	(567,298)	-
United Republic of Tanzania	-	-
Directors and key management personnel	(696,142)	(300,288)
At 31 December	(1,263,440)	(300,288)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Interest rate on personal loans to directors and key management personnel was 5% (2024: 6%) per annum. Loans other than personal loans issued to directors and key management were provided at market rate ranging between 15% to 18%.

The Bank performs staff loan fair valuation for loans provided to staff below market rate and the movement charge to statement of profit and loss (note 16).

	2025 TZS'000	2024 TZS'000
b) Deposits & withdrawals during the year		
Deposits		
Tanzania Post Corporation	2,746,167	2,872,771
Savings and Credit Society	642,328	668,890
PSSSF	45,766010	41,236,500
WCF	3,933,465	2,300
Directors and key management personnel	11,193,673	1,908,100
At 31 December	64,281,643	46,688,561
Withdrawals		
Tanzania Post Corporation	(2,706,700)	(2,872,771)
Savings and Credit Society	(629,534)	(685,653)
PSSSF	(43,203,226)	-
WCF	(3,901,390)	-
Directors and key management personnel	(11,061,192)	(300,288)
At 31 December	(61,502,042)	(3,858,712)

Interest rates on deposits from related party, Directors and key management personnel are at applicable Bank commercial rates.

c) Directors' and key management personnel compensation		
Salaries and other benefits	4,862,241	5,094,310
Social security contributions	327,269	104,861
Directors' fees	94,500	79,500
Other Board expenses	309,574	477,099
	5,593,584	5,755,770
d) Outstanding balances		
Tanzania Posts Corporation Western Union Agents (note 24)	799,775	746,819

The transactions entered into with related parties were at arm's length and in accordance with laid down regulations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

41. FAIR VALUE

The Directors consider that there is no material difference between the fair value and carrying value of the Bank's financial assets and liabilities where fair value details have not been presented.

42. CURRENCY

Except where indicated otherwise, these financial statements are presented in Tanzania Shillings, rounded to the nearest thousand (TZS'000), which is also the functional currency.

43. EVENTS SUBSEQUENT TO FINANCIAL YEAR END

At the date of signing the financial statements, the Directors are not aware of any circumstance or other matter arising since the year end, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Bank and results of its operations.

44. COMPARATIVES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.