I&M | Bank

IMPACT

BEYOND NUMBERS

Scaling impact, sustaining progress

Integrated Report & Financial Statements 2025

On Your Side


I&M Bank

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01

About Us

Our Assurance

Contents of this report have undergone reviews by management, with the Board and Board committees providing an oversight role to ensure its accuracy.

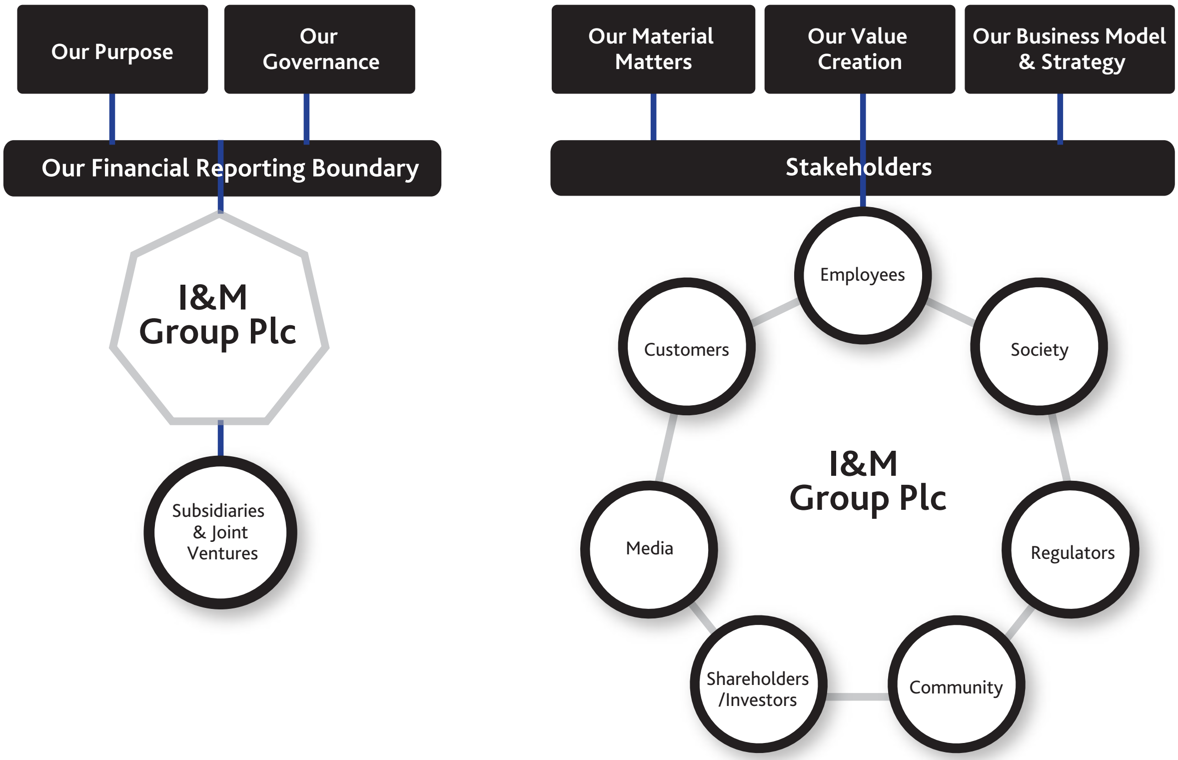
To enhance the integrity of the report, the financial statements were audited by KPMG, the Group's independent auditor, who have expressed an unqualified opinion for the period year ended 31 December 2024 as set out in their independent statement on page 126 to 132 of this report.

We appreciate your feedback

If you would like to know more about the I&M Group, please visit our website at www.imbankgroup.com

We welcome any feedback stakeholders may have on this report. Kindly email us at investor-relations@imgroup-plc.com

Our Integrated Reporting Boundary



Who We Are

Our Brand Promise
On your side

Our Purpose
Empowering your prosperity

Our Core Values
Courage • Innovation
Integrity • Respect • Trust

Our Behaviors
Agile • Candid • Collaborative
Data-Driven • Empowered
Risk Intelligent

	Customers	Branches	ATM's	Staff
Kenya	480,230	60	68	1,836
Uganda	77,335	12	14	306
Tanzania	20,607	9	12	234
Rwanda	100,014	20	41	485
Mauritius	49,009	7	10	422

>727k Customers

108 Branches

145 ATMs

Over 3k Staff

>Over 5.3k Shareholders

Key Milestones

1974

I&M Incorporated.

1996

I&M Licensed as a Commercial Bank.

2002

I&M Acquired Biashara Bank of Kenya.

2013

Set up of I&M Holdings as a non-operating holding company, listed on the NSE

Additional Tier II capital raise.

2014

Formation of I&M Insurance Agency Limited, I&M Realty Limited is formed.

2015

I&M Bank ventured into Agency Banking.

2019

I&M recognized as Tier 1 Bank.

2021

Acquisition of I&M Uganda (formerly Orient Bank Uganda Ltd), Launch of I&M Capital Ltd.

2022

Acquisition of the remaining 35% stake in I&M Burbidge Capital.

2008

Acquisition of 50% shares in Bank One Limited Mauritius (Formerly known as First City Bank Ltd).

2010

Acquisition of 55% stake in I&M Bank (T) Limited (Formerly known as CF Union Bank Ltd).

2012

Acquisition of 55% effective shareholding of I&M Bank (Rwanda) PLC, (Formerly BCR, Rwanda).

2016

Acquired 65% shares in I&M Burbidge Capital Limited CDC Group w becomes a significant shareholder of I&M Holdings.

2017

Acquired Giro Commercial Bank Limited.

2018

I&M Insurance Agency Limited acquired Youjays Insurance Brokers Limited.

2023

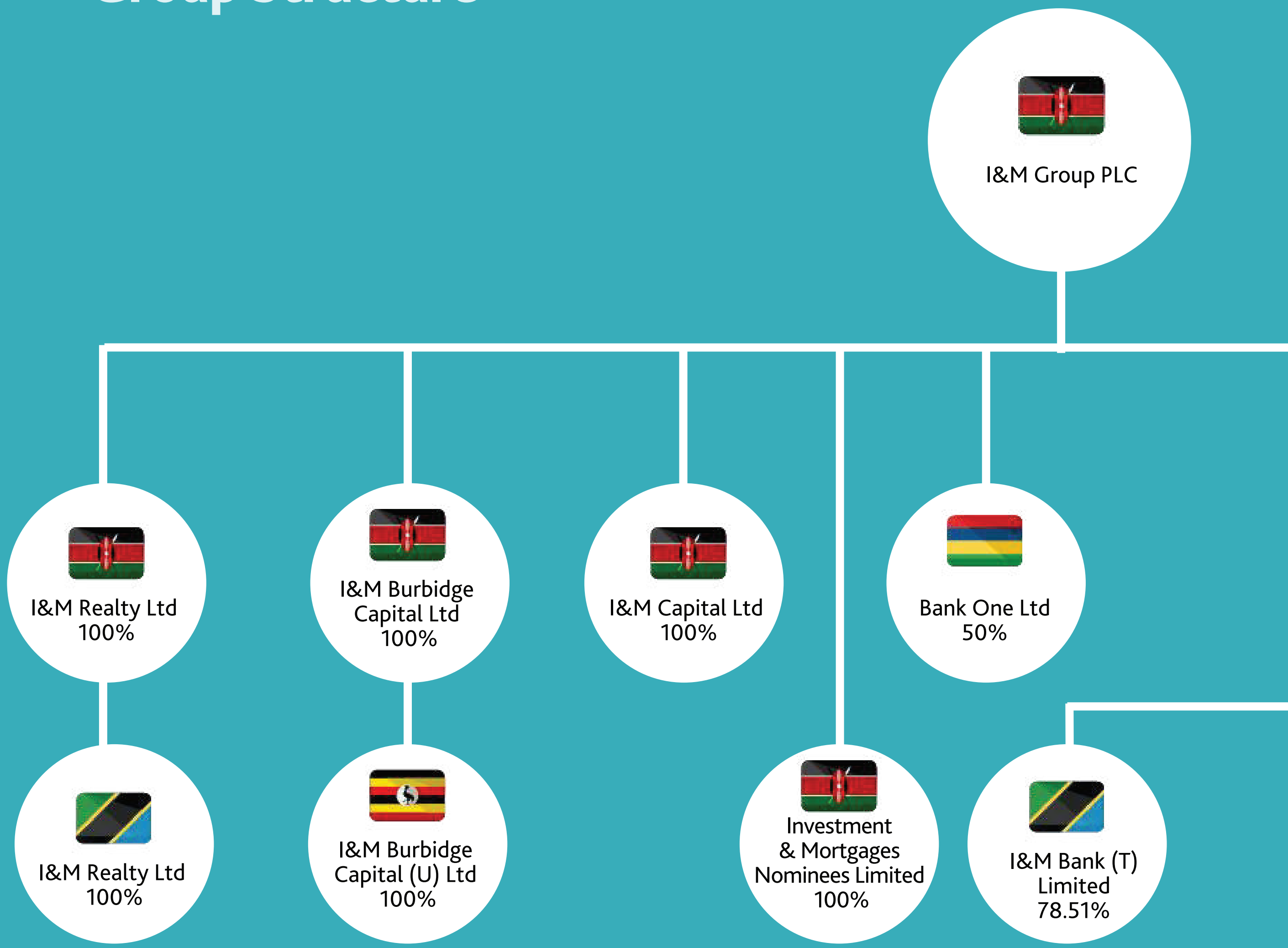
Disinvestment in I&M Bank Uganda (The Group reduced its ownership from the initial 90%)

2024

Formation of I&M Realty (Tanzania) Ltd (Incorporation of Subsidiary of I&M Realty Kenya).

I&M Bank turns 50-Year-Old.

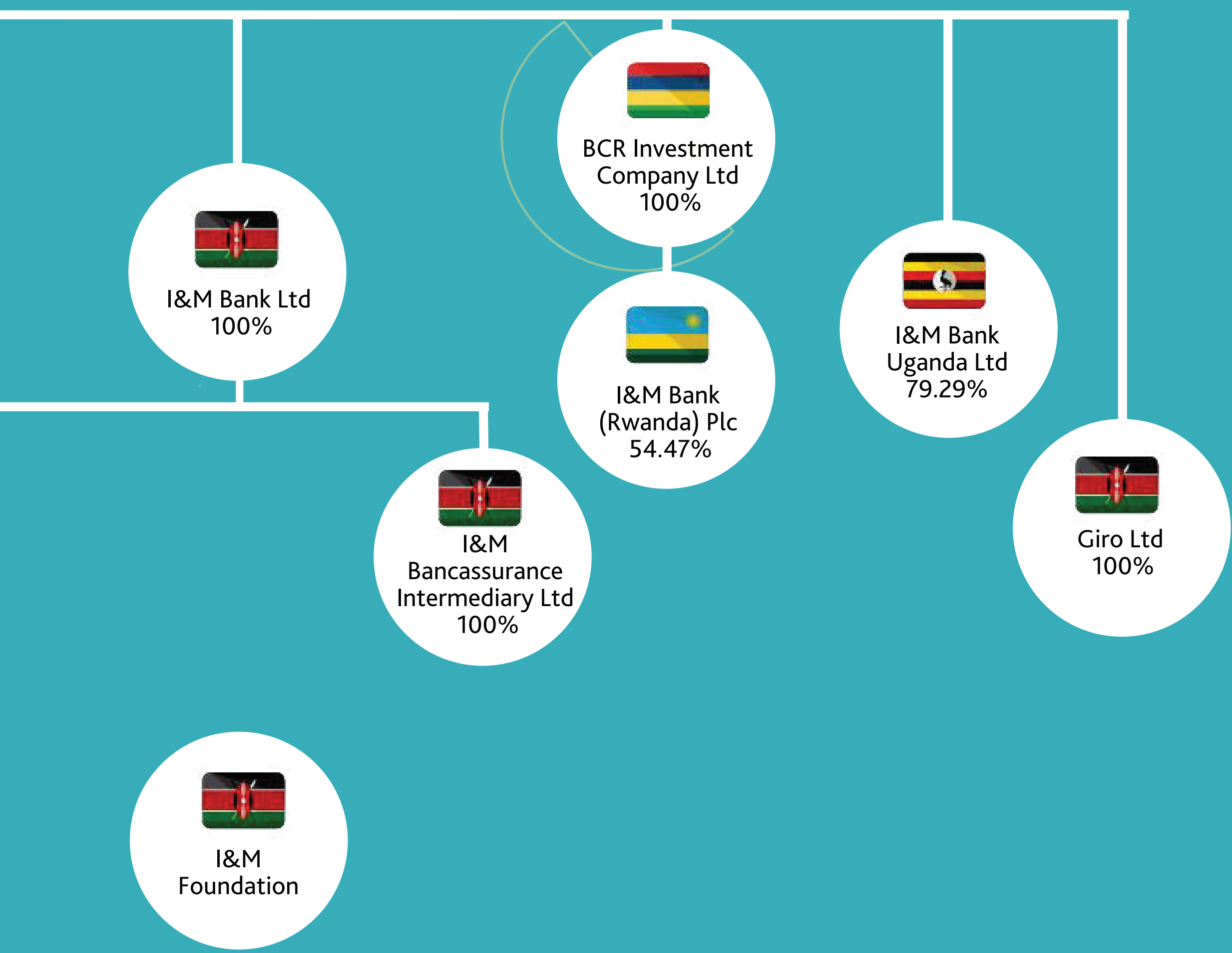
Group Structure



Country of Incorporation

- **Kenya**
- **Tanzania**
- **Rwanda**
- **Mauritius**
- **Uganda**

I&M Group Plc is listed on the Nairobi Securities Exchange (NSE) and I&M Bank (Rwanda) Plc is listed on the Rwanda Stock Exchange Limited (RSE)


BCR Investment Company Ltd 100%
I&M Bank Ltd 100%
I&M Bank (Rwanda) Plc 54.47%
I&M Bank Uganda Ltd 79.29%
I&M Bancassurance Intermediary Ltd 100%
Giro Ltd 100%
I&M Foundation

02

Our Governance

Chairman's Statement

"Our strategy is anchored on deepening relationships with corporate clients, expanding our presence within the SME and retail banking segments, and accelerating the development of our digital banking ecosystem. At the same time, we are investing in people, technology, and operational capabilities to support the delivery of a differentiated customer experience."

Madabhushi Soundararajan
Chairman

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statements of I&M Bank (T) Limited for the financial year ended 31 December 2025.

The year under review was one of disciplined execution and strategic progress for the Bank. Operating in an increasingly competitive and evolving financial services landscape, we remained focused on strengthening our core business, improving the quality of earnings, and positioning the Bank for sustainable long-term growth. Our performance during the year reflects the resilience of our business model, the dedication of our people, and the continued trust placed in us by our customers and stakeholders.

As a subsidiary of I&M Group PLC, the Bank continues to benefit from the strength of a regional banking network, shared expertise, and strategic collaboration across the Group. These advantages enable us to leverage regional capabilities while maintaining a strong local presence, ensuring that we remain well positioned to support the evolving financial needs of our customers and contribute to Tanzania's economic development. Throughout the year, the Board remained focused on providing strategic oversight, ensuring sound governance, and maintaining robust risk management practices. We continued to work closely with management to strengthen the Bank's strategic positioning while maintaining a prudent approach to capital, liquidity, and operational resilience.

Economy Overview

In 2025, Tanzania's economy sustained strong growth momentum, supported by prudent macroeconomic management, continued structural reforms, and a stable operating environment. Mainland Tanzania's real Gross Domestic Product (GDP) grew by 5.9% for the year, an improvement from 5.5% in 2024, while third-quarter growth reached 6.4%, driven largely by agriculture, mining and quarrying, construction, financial services, and ongoing public and private investment.

Inflation remained low and within the Bank of Tanzania's target range of 3%–5%, averaging 3.6% in December 2025, reflecting stable food supply conditions, prudent monetary policy, and easing imported inflation pressures. The low inflation environment helped preserve consumer purchasing power and supported business confidence.

The Tanzanian Shilling (TZS) remained broadly stable against major currencies during the year. In December 2025, the Shilling traded at an average of TZS 2,452.76 per USD, supported by stronger foreign exchange inflows from tourism, exports, remittances, and effective monetary interventions.

The external sector continued to improve, with exports of goods and services rising by 10.2%, supported by strong gold exports, tourism receipts, and improved regional trade flows. International tourist arrivals reached 2.29 million in 2025, further strengthening foreign currency eanings and economic activity.

The Bank of Tanzania maintained a balanced monetary policy stance to support growth while safeguarding price and financial system stability. The Central Bank Rate (CBR) was maintained at 5.75% in the final quarter of 2025, while private sector credit expanded by 23.5%, reflecting increased lending to productive sectors of the economy. Continued focus on liquidity management, financial inclusion, and digital transformation further enhanced the resilience of the banking sector.

International tourist arrivals **reached 2.29 million** in 2025, further strengthening foreign currency eanings and economic activity.

I&M Bank (T) Ltd Performance in 2025

Against this backdrop, I&M Bank (T) delivered a resilient financial performance during the year, supported by growth in core income and disciplined balance sheet management.

- Profit before tax increased by 21% to TZS 22.14 billion, reflecting continued momentum in the Bank's core banking activities despite elevated operating costs and higher provisioning levels.
- Net interest income grew strongly to TZS 86.85 billion, representing growth of 30.2% year-on-year, supported by improved asset yields, disciplined pricing, and growth in the Bank's earning assets.
- Non-funded income totaled TZS 31.66 billion, with foreign exchange income and recovery income from written-off accounts contributing significantly to overall performance.
- Total assets increased to TZS 954 billion, representing growth of 18.7% compared to the previous year. The Bank's loan portfolio expanded by 21.4% to TZS 528 billion, reflecting continued support to key sectors of the economy.
- Customer deposits closed the year at TZS 610 billion, representing growth of 11.1%, despite periods of subdued market liquidity.

Encouragingly, asset quality improved significantly during the year, with the Non-Performing Asset ratio declining to 4.03% from 8.41% in 2024, reflecting strengthened credit monitoring, recovery efforts, and disciplined underwriting standards.

The Bank also maintained strong capital and liquidity buffers. The combined Tier I and Tier II capital ratio stood at 19.35%, while the liquidity ratio remained robust at 27.98%, both comfortably above regulatory minimum requirements.

Profit Before Tax increased by 21% to **TZS 22.14 billion.** **21%**

Net interest income grew strongly to **TZS 86.85 billion.** **30.2%**

Non-Funded Income totaled **TZS 31.66 billion.** **41.5%**

Total Assets increased to **TZS 954 billion.** **18.7%**

The **Bank's Loan Portfolio** increased to **TZS 528 billion.** **21.4%**

Customer Deposits closed the year at **TZS 610 billion.** **11.1%**

These results demonstrate the Bank's resilience and its ability to generate sustainable earnings while maintaining a prudent risk management approach.

Medium Term Strategy - Progress

The Bank continued to advance its medium-term strategy, iMara 3.0, which focuses on strengthening the quality and sustainability of earnings while building a scalable platform for future growth.

Our strategy is anchored on deepening relationships with corporate clients, expanding our presence within the SME and retail banking segments, and accelerating the development of our digital banking ecosystem. At the same time, we are investing in people, technology, and operational capabilities to support the delivery of a differentiated customer experience.

During the year, the Bank continued to strengthen its corporate banking franchise through sector diversification and deeper engagement with key clients. Particular focus was placed on sectors such as agriculture and oil and gas, where the Bank continues to support economic activity through tailored financing and transaction banking solutions.

Within retail and SME banking, the Bank continued to strengthen its asset financing proposition while preparing for the expansion of its distribution capabilities. These efforts are aimed at broadening access to financial services while supporting the growth of small and medium-sized enterprises, which remain an important engine of Tanzania's economic development.

Digital transformation also remains a key strategic priority. The Bank continued to enhance its digital ecosystem through initiatives such as the development of new ecosystem-based products and improvements to its digital banking platforms. The migration to the Way4 card management system and the issuance of new Mastercard cards during the year represent important steps in strengthening system stability, improving customer experience, and building the capacity required to support future growth.
These strategic initiatives are positioning the Bank to better serve customers across multiple segments while reinforcing its ambition to be a trusted financial partner for businesses and individuals across Tanzania.

Governance, Sustainability and Corporate Social Responsibility (2025 Update)

The Board continues to reinforce a culture of sound governance, ethics, and robust risk management. During the year, the Board composition evolved with the appointment of Ms. Nancy Riwa in February 2025, and the resignation of Hon. Ambassador Amina Ali and Mr. Shameer Patel in August and December 2025 respectively. These changes reflect the Bank's ongoing commitment to maintaining a balanced and effective Board with the requisite skills and experience.

The Bank is also actively working towards compliance with the regulatory requirement of ensuring that at least one-third of the Board comprises women, in line with the guidance issued by the Bank of Tanzania.

We continue to integrate Environmental, Social and Governance (ESG) considerations into our business decisions and reporting frameworks, aligning with both local regulatory expectations and global standards, including those of the International Integrated Reporting Council (IIRC) and the Sustainable Development Goals (SDGs).

As part of our sustainability agenda we launched our Financial Literacy Program, in partnership with Airtel Tanzania, on 4 August. This initiative forms a key pillar of the Bank's sustainability strategy, aimed at empowering women-led SMEs through enhanced financial education. The program is delivered through the collaborative product Kamilisha, supporting inclusive growth and financial empowerment.

Corporate Social Responsibility

The Bank remained committed to making a meaningful impact through strategic partnerships. In collaboration with BAPS Charities, it supported a vital health initiative that funded life-changing cardiac surgeries for children at the Jakaya Kikwete Cardiac Institute (JKCI). This partnership reflects the Bank's continued dedication to community well-being, as it focuses its efforts on creating a greater and more sustainable impact.
Product Development & Innovation

In 2025, I&M Bank continued to strengthen its strategic focus on innovation, customer-centricity, and sustainable business growth through the introduction of new products, strategic partnerships, and enhanced digital capabilities across key customer segments.

The Bank launched an enhanced SME Value Proposition aimed at supporting small and medium enterprises with tailored financial solutions, improved access to working capital, transaction banking services, and business growth opportunities. In line with its commitment to supporting business expansion, the Bank also strengthened its Asset Finance offering, enabling customers to acquire business assets efficiently through flexible financing solutions.

To further drive digital financial inclusion, the Bank introduced "JiBoost" digital loans through the Kamilisha platform, providing customers with fast, convenient, and accessible financing solutions through a seamless digital journey.

In the payments space, the Bank expanded its merchant acquiring capabilities through the introduction of Pesapal POS and E-commerce solutions, empowering businesses with secure, efficient, and convenient digital payment acceptance channels while supporting the growth of cashless transactions.

The Bank achieved significant milestones in its cards and payments transformation journey through the launch of Mastercard issuing capabilities in Tanzania, including the Platinum Multicurrency Prepaid

supported a vital health initiative that funded life-changing cardiac surgeries for children at the Jakaya Kikwete Cardiac Institute (JKCI).

Card, as well as the Gold and First World Elite Debit Cards. In parallel, the Bank successfully migrated its card management platform from YSE to Way4, enhancing system capabilities, scalability, transaction processing efficiency, and overall customer experience. This transformation strategically positioned the Bank to drive future growth and innovation within the digital payments ecosystem.

Customer Engagement

Throughout the year, the Bank conducted periodic surveys to measure customer experience and benchmark performance against market standards. These surveys informed numerous customer experience initiatives.

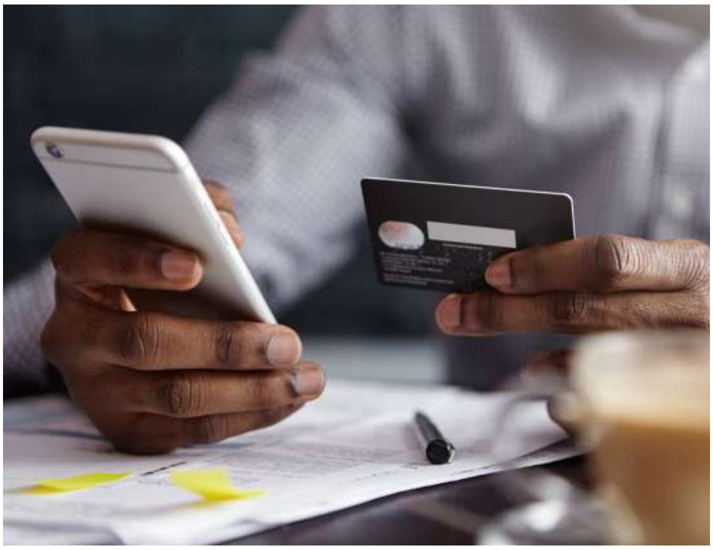
Net Promoter Score (NPS) for 2025 recorded 64.3%. While lower than the previous year's score of 70%, the Bank remains committed to continuously investing in service enhancement and customer experience initiatives to strengthen satisfaction and loyalty.

Marketing & Brand Building

In Q1 2025, the Bank launched the "NI BURE" campaign, a 3month acquisition and activation drive aimed at growing Current and Savings Accounts (CASA) and New to Bank (NTB) customers. The campaign proposition, "Zero transaction fees on bank-to-wallet transfers," directly addressed a key consumer pain point, positioning I&M Bank as an accessible, everyday banking solution. The launch was amplified through a strategic influencer partnership, generating strong hype, awareness, and engagement, which translated into increased account openings, transaction volumes and Digital and social engagement.

This campaign significantly strengthened brand relevance and local resonance, positively shifting market perception and reinforcing I&M Bank's positioning as a mass-market, inclusive, and customer-centric brand.

Furthermore efforts in Q3 were strategically centred on the introduction of Mastercard, marking I&M Bank as the first institution in Tanzania to launch the World Elite card. This milestone was supported by a high-profile launch event attended by key clients, alongside a comprehensive marketing campaign titled "Privilege", designed to underscore the exclusivity and superior benefits of the card. The campaign was executed across both ATL and BTL channels, with communication emphasizing card features and driving the call to action for re-carding.



Additionally, the Pesapal partnership was formally launched on 8 September, receiving broad media coverage through national outlets, blogs, and strong engagement across our digital platforms. Branded merchandise was deployed to support awareness and enhance branch-level activation.
The Kamilisha Marketing Campaign, implemented in partnership with Airtel and YABX, was launched through a robust ATL strategy, anchored by a radio campaign on the "Leo Tena" segment — a platform that effectively engages our target audience. This approach delivered strong product awareness and uptake, strengthening the Bank's footprint in the digital lending and microcredit space, while improving customer access to fast, convenient financial solutions.

Strategic partnerships with authorized automotive dealers, including Mahindra and Hanspaul Automotive, supported the launch of the Bank's Asset Finance offering. These collaborations enhanced asset financing accessibility through targeted dealer networks, delivering competitive value propositions across key customer segments. Awareness was driven through customer testimonials, public relations initiatives, and targeted promotional activity.

During the festive season, the "LIPA KISHUA" campaign was launched to accelerate card usage and promote payments through the newly introduced Mastercard portfolio. The campaign capitalized on peak gifting and consumer spending periods, encouraging seamless, secure, and convenient cashless transactions. Through targeted communication and engaging activations, the campaign successfully enhanced customer adoption, increased transaction volumes, and reinforced the Bank's positioning as a leading digital payments partner.

These initiatives, combined with thoughtfully executed customer engagement activities, have significantly elevated the Bank's brand, supported business growth, and deepened customer loyalty.
Technology

Following the successful launching of Digital Engagement Hub (DEH), the ICT department has further worked with the Digital team to enhance DEH functionality by deploying Government Payments (GEPG) functionality. Moreover, BOT TIPS use cases are being improved to include TanQR, Payments to Government (P2G) through TIPS, and International Money Transfer. Also, efforts to stabilize and improve DEH are ongoing with group support.

Additionally, we are working closely with our partners, BankBuddy and Wazoefu to deploy NIDA supported Biometric Digital Onboarding Functionality which will allow for registration of new customers digitally. To support its digitalization objectives and improve the overall experience for customers, the Bank will continue to improve its digital platforms and technology during the year through several technology initiatives.

Risk Management

The Bank maintained a resilient and proactive risk management posture throughout the year, supported by a strong enterprise risk management framework, effective governance structures, and continuous monitoring of key risk indicators against the approved risk appetite. Focus remained on strengthening the overall control environment through regular risk assessments, enhanced management oversight, continuous staff capacity building across the three lines of defence, and timely escalation of emerging risks through established governance forums, including RCCC, MRC, ALCO, and Board Risk Committee engagements.

During the year, the Bank continued to strengthen its risk and compliance capabilities in response to the evolving regulatory and operating environment, particularly in the areas of digital banking, cybersecurity, fraud risk management, AML/CFT compliance, data protection, and operational resilience. Key initiatives included enhancement of transaction monitoring and fraud management frameworks, continued improvements in cybersecurity governance and vulnerability management oversight, and reinforcement of business continuity and disaster recovery preparedness following industry-wide operational disruptions experienced within the market environment.

The Bank remained compliant with applicable Bank of Tanzania regulatory requirements, including Basel II and Basel III guidelines, and continued to enhance its internal methodologies for capital adequacy assessment, liquidity risk management, stress testing, operational risk management, and risk-weighted asset computation. In addition, the Bank progressed with strengthening its ICAAP and ILAAP frameworks to support forward-looking capital and liquidity planning under stressed conditions.

As part of its ongoing risk transformation agenda, the Bank also advanced strategic initiatives aimed at strengthening enterprise-wide risk monitoring and fraud prevention capabilities through implementation of enhanced technology-driven risk solutions. These initiatives are expected to further improve risk identification, monitoring, reporting, and response capabilities across the Bank's operations.

Overall, the Bank's risk management approach continues to evolve in line with regulatory expectations, industry best practices, and the increasing complexity of the financial services landscape, positioning the Bank to respond effectively to emerging risks while supporting sustainable business growth.

Key HR Initiatives

Workforce

The Bank closed with a headcount of 234 as of December 2025 in Tanzania, aligned to business needs following targeted hiring across key functions Retail Banking, Corporate Banking, ICT, Treasury, Finance, and the Branch Network, strengthening execution in priority growth areas.
Engagement & Retention

Management improved employee engagement to 80% in 2025 (2024: 77%) and reduced attrition to 15% in 2025 (2024: 22%). Retention initiatives were strengthened, with effectiveness improving to 90% in 2025 (2024: 80%).

Performance & Recognition

Management enhanced the recognition framework, increasing staff recognized to 60 in 2025 (2024: 34), with a stronger link to performance outcomes.

Leadership & Succession

Management strengthened leadership capability through completion of the 4 Essential Roles program by MANCO, now embedded into 2026 execution. Internal promotions increased to 10% in 2025 (2024: 5%), supported by focused succession development, including executive apprenticeship and professional certifications.

Talent Pipeline

The Bank continued to build its future leadership bench through the Graduate Management Trainee and Banking Talent Development programs, with structured rotations, mentorship, and cross-functional exposure.

Capability Building

Management delivered over 30 targeted programs across core functions and continued to invest in professional certifications (CBCA, ACCA, CISA, FRM, ACI, CPRB) to deepen technical capability.

Employee Value Proposition

The Bank enhanced staff benefits, including improvements to loan products, travel and fuel policies, and introduced a KPI-linked recognition framework to reinforce a performance-driven culture.

Culture Transformation Program – Pamoja

Management realigned the Pamoja Program to directly support the 2026 strategy, embedding culture into day-to-day execution through:

- Leadership ownership (360-degree assessment) and development programs
- A Culture Champions Network
- Performance-driven recognition
- Regular engagement pulse checks

Rollout will be phased from Q1–Q2 2026

Outlook – 2025

Tanzania's economy continued to demonstrate resilience in 2025, supported by prudent macroeconomic management, sustained public investment, and improving private sector activity.

Real GDP growth remained strong at approximately 6.0%, reflecting continued expansion across key sectors including agriculture, mining, construction, tourism, and financial services. Inflation remained well contained at around 3.6%, comfortably within the national target range of 3–5%, supported by stable food prices and effective monetary policy implemented by the Bank of Tanzania.

Within this supportive macroeconomic environment, Tanzania's banking sector continued to demonstrate stability and resilience. Industry assets continued to expand, supported by rising demand for credit from both corporate and retail segments. At the same time, the sector remained well capitalised and liquid, reflecting prudent risk management practices and strong regulatory oversight.

Continued investments in digital banking platforms, mobile financial services, and agency banking models are also contributing to the expansion of financial inclusion, enabling greater access to banking services across the country.

Overall, Tanzania's stable economic fundamentals and sound regulatory framework continue to provide a strong foundation for the sustainable growth of the financial services sector.

Acknowledgements

On behalf of the Board of Directors, I extend our sincere appreciation to all our stakeholders for their continued trust, support, and partnership with I&M Bank (T) Ltd throughout 2025. The progress and achievements recorded during the year were made possible through the unwavering confidence of our customers, the dedication of our employees, the support of our shareholders, and the strong collaboration with our partners and regulators.

We remain deeply grateful to our customers, who continue to place their trust in us and inspire us to continuously innovate, improve, and deliver exceptional banking experiences. To our employees, we commend your professionalism, resilience, and commitment to excellence. Your hard work and dedication continue to drive the Bank's growth and success. We also thank our shareholders for their continued confidence in our strategic direction and long-term vision.

As a responsible financial institution, we remain committed to advancing sustainable and inclusive growth. We recognize our role in contributing to Tanzania's socio-economic development and continue to integrate environmental, social, and governance (ESG) principles across our operations and business practices. We are proud of the positive impact we continue to create within the communities we serve and remain dedicated to initiatives that deliver long-term shared value.

We thank all our stakeholders for their continued confidence and support. As we look ahead, we remain focused on strengthening our position as Tanzania's leading financial partner for growth while delivering sustainable value to our customers, shareholders, employees, and the wider community.

Sincerely,
Chairman

Our Board Members

01 Madabhushi Soundararajan | Board Chairman

Mr. Soundararajan is a seasoned banking and financial services professional with nearly four decades of experience across India, the United States, and Kenya. Since moving to Kenya in 1988, he has held senior leadership roles at Standard Chartered Financial Services, Commercial Bank of Africa (now NCBA) and CFC Bank prior to its acquisition by Stanbic Bank. He currently serves as Country Head of the Meghraj Group in Kenya and sits on several prominent boards, including I&M Bank Kenya, GA Insurance, GA Life Assurance, GA Insurance-Tanzania, and Car & General (Kenya) Plc.

02 Zaid Mustafa | Chief Executive Officer (C.E.O) and Managing Director (MD)

Zahid is a highly experienced banker with over 27 years in the industry and a proven record in business development and growth across Asia, the Middle East, and Africa. His strengths lie in Retail, Digital, and Business Banking, backed by strong leadership and a focus on innovation, customer-centricity, and teamwork. He holds a Master of Business Administration (MBA) and a Bachelor of Chemical Engineering from Lahore University of Management Sciences (LUMS), and the University of Engineering and Technology (UET).

03 Kiara Maina | Regional Chief Executive Officer

Mr. Kihara Maina is an experienced banker appointed as an Independent Director of the bank in 2024. He currently serves as Regional Chief Executive Officer, a role he assumed in January 2023, after joining I&M Bank Kenya as CEO and Board Member in 2016. With a banking career spanning over 30 years, he has held senior leadership roles at Stanbic Bank and Barclays Bank in Kenya and served as Managing Director of Barclays Bank Tanzania. He holds a bachelor's degree in mathematics from MOI University and an Executive MBA from the University of Chicago Booth School of Business.

04 Shameer Patel | Non-Executive Director

Mr Shameer Patel was appointed as a Director of the Bank on 11th September 2013. He is the chairman of the Board Credit Committee. He has more than 17 years of experience in Banking covering credit, operations and strategic planning. Mr Shameer Patel is part of the senior management team at I&M Bank Ltd, Kenya and heads the CEOs Office function with responsibilities covering various strategic initiatives and monitoring of subsidiaries within the banking group.

05 Hon. Ambassador Amina Ali | Independent Non-Executive Director

Hon. Ambassador Amina Ali was appointed as an independent director at I&M Bank Tanzania in 2023. She is a former Minister for Trade and Industry for the Revolutionary Government of Zanzibar, United Republic of Tanzania. She served as an Ambassador and Head of Mission in Washington D.C. USA in 2015, and as an ambassador in Zanzibar in 2020

06 Ms. Raeesha Fakira | Non-Executive Director

Raeesha Fakira is a seasoned finance professional with expertise in investment management and risk advisory. She is the Country Manager for Mauritius and the Indian Ocean at Kibo Capital Partners, overseeing portfolio growth and strategy. Previously, she worked at Deloitte Mauritius on key projects like IFRS 9 implementation for major banks. She holds a degree in accounting and finance from the University of Southampton and is a member of the ICAEW (ACA).

07 Emmanuel Chacha | Independent Non-Executive Director

Mr. Emmanuel Johannes, appointed as an Independent Director of I&M Bank Tanzania in 2021, is an experienced governance and audit professional. He is CEO of Keple Associates and has held leadership roles in internal audit bodies, including serving as Auditor Chairman of AFIIA (2019–2023). He holds an MBA from the University of East London and certifications in Governance of Enterprise IT (CGEIT) and Project Management (PMP).

08 Paresh Manek | Independent Non-Executive Director

Mr. Paresh Manek is a seasoned businessman with over 35 years of experience across various industries in Dar es Salaam. He has held key leadership roles, including Director and Managing Director positions in multiple companies, where he has driven business growth, strategic planning, and operational efficiency. Paresh is known for his strong financial management skills, problem-solving abilities, and expertise in business development. His leadership has been instrumental in improving customer satisfaction and enhancing organizational performance.

09 Alan Mchaki | Board of Director

Mr. Alan Rodrick Mchaki has been an Independent Director of the bank since September 2016. A fellow of the Association of Chartered Certified Accountants (UK) and a Certified Public Accountant in Tanzania, he chairs the Board Risk Committee and serves on the Board Audit Committee. With over 30 years of experience across public practice and various industries—including oil marketing, broadcasting, health services, and mutual fund management—he has held multiple finance directorships and currently works as an independent management consultant.

10 Chrisitian Shirima | Independent Non-Executive Director

Mr. Christian Shirima was appointed as an Independent Director of I&M Bank Tanzania in 2023. He began his career at Precision Air Tanzania in 2013 as an Aircraft Maintenance Technician. He later served as a Maintenance Controller in 2015, a Senior Development and Reliability Engineer in 2017, and a Licensed Aircraft Maintenance Engineer in 2019. In 2021, he became the Manager of the Workshop, and since 2023, he has been serving as the Manager of Projects and Client Services.

11 Jamhuri Ngelime | Independent Non-Executive Director

Mr. Jamhuri Ngelime is a distinguished finance professional with over 35 years of experience. He served as Director of Finance at the Bank of Tanzania until 2022 and was previously CFO at TANESCO, where he improved financial performance and governance. He also contributed to major state enterprise privatizations as a Senior Consultant for PSRC. He holds a master's in Banking and Finance and is a Certified Public Accountant.


Kilimanjaro M2

Our Senior Management

01 Zaid Mustafa | Chief Executive Officer (C.E.O) and Managing Director (MD)

Zahid is a highly experienced banker with over 27 years in the industry and a proven record in business development and growth across Asia, the Middle East, and Africa. His strengths lie in Retail, Digital, and Business Banking, backed by strong leadership and a focus on innovation, customer-centricity, and teamwork. He holds a Master of Business Administration (MBA) and a Bachelor of Chemical Engineering from Lahore University of Management Sciences (LUMS), and the University of Engineering and Technology (UET).

02 Mr. Donald Aswani Mate | Chief Operating Officer

Mr. Donald Mate, a holder of Bachelor of Commerce degree (Accounting Option) from the University of Nairobi and a member of ICPA (K), oversees the bank's operations towards achieving its strategy objectives. He has more than 17 years of banking experience with the I&M group, having served in various positions in operations, as well as audit. Before joining the Tanzanian operations in 2016, he was a Senior Manager with I&M (K) Ltd specialized in centralized, branch and

03 Mrs. Veronica Magongo | Head of Finance

Ms. Veronica has over 17 years of experience in Audit and Finance. She has worked with First National Bank, NMB Bank Plc, and Bank of Africa. She is experienced in Finance and Accounting, Financial Analysis, Business Process Reviews, Risk Management, Internal controls and Compliance, and Taxation. She is a Certified Public Accountant (CPAT), and she holds a Master of Business Administration and a Bachelor of Commerce, both from the University of Dar es Salam.

04 Ms. Shazia Manji | Head of Corporate Banking

Ms. Shazia Manji brings over 14 years of extensive experience in Corporate Banking within Tanzania's banking sector. She has worked at leading financial institutions including Diamond Trust Bank Tanzania and NBC, where she has consistently demonstrated her ability to drive results and manage high-value client portfolios. She holds a Bachelor's degree in International Business Administration (Finance) from the United States International University (USIU).

05 Mr. Patrick Kapella | Head of Treasury

Mr. Patrick Kapella is a financial market professional with more than a decade of experience in Treasury Sales and Operations and joined the bank in 2015 as the Head of Treasury. Mr. Patrick is an MBA (Finance and Banking) from Mzumbe University (Tanzania) and a certified member of ACI, a well-known Financial Markets Association. He has previous experience with First National Bank Tanzania as a Chief Dealer.

06 Mr. Simon Gachahi | Head of Retail & Digital Banking

Simon Gachahi has 17-years of experience in Retail Banking. His extensive background includes pivotal roles at Absa Bank Kenya (Formerly Barclays), He has expertise in Consumer banking, Affluent Banking , Wealth, Product Management and Digital Banking. Simon holds a master's degree in project management from the University of Nairobi and a bachelor's degree in education, specializing in Mathematics and Economics, from Moi University. His expertise and leadership

07 Mr. Gabriel Mlinga | Head of Risk and Compliance

Gabriel is an experienced banking professional with over 14 years in the industry, specializing in enterprise risk management, compliance, internal audit, governance, and control. He has held key roles including Acting Head of Risk at Absa Bank Tanzania and Head of Operational and Credit Risk Governance at both Absa and Barclays Bank Tanzania. He also served as an Internal Auditor at Exim Bank. Gabriel holds a BBA in Accounting from Tumaini University Dar es Salaam and is a Certified Enterprise Risk Management Expert.

08 Mr. Emmanuel Mosha | Head of Credit

Emmanuel is a seasoned banking professional with 15 years of experience in risk management, compliance, credit risk, and bank supervision. He has held key roles including Head of Risk & Compliance at I&M Bank Tanzania, Head of Risk at BancABC, and Bank Examiner at the Bank of Tanzania, where he contributed to developing regulatory frameworks for the financial sector. He is a Certified Public Accountant (CPA-T) and holds an MBA in Finance and a BCom in Accounting from the University of Dar es Salaam.

09 Ms. Maria Ashley Gonsalves | Head Of Legal & Company Secretary

Maria Gonsalves is a seasoned legal professional with over 11 years of experience in Banking Law, specializing in corporate governance, regulatory compliance, and financial law. Before joining I&M Bank Tanzania, she worked with Diamond Trust Bank Tanzania PLC. She is an Advocate of the High Court of Tanzania and all subordinate courts, holds an LL.B from Tumaini University Dar es Salaam College (TUDARCo), and is a member of the Tanganyika Law Society and East Africa Law Society.

10 Ms. Erica Mboya | Head of Human Resources

Ms. Erica Mboya is the Head of Human Resources with over 11 years of experience in HR management within Tanzania's banking sector. She has held key roles at Stanbic Bank Tanzania and NMB Bank Plc, with expertise in manpower planning, performance management, talent development, and employee relations. She is a Senior Certified HR Professional (SHRM) and holds a Bachelor's degree in Public Administration (HR Management) from Mzumbe University.

11 Mrs. Aimtonga Adolph | Chief Audit Executive

Mrs. Aimtonga Adolf has served as Chief Internal Auditor at I&M Bank Tanzania since May 2005. Prior to joining the bank, she was a Senior Internal Auditor at Mangesho and Company, an accounting and auditing consultancy. She is an Associate Certified Public Accountant (ACPA) registered with the NBAA and holds an MBA from the University of Dar es Salaam.

I&M Bank

03

Event Highlights in Pictures

Arusha Customer Event

Customer Service Week 2025

Executive Committee Meeting with Group CEO

I&M x Airtel - Financial Literacy - Sustainability

Iftar Staff Event

Mastercard launch

Ni Bure Campaign - Launch

Nursing room launch HQ

Select Banking Customer Event

Internal Sales Incentive Campaign - Staff Winner

Staff Engagements: I&M End Year

Staff Engagements: i&M Taifa Stars

Staff Engagements: TGIF

Staff Engagements: i&M Taifa Stars

International Womens Day Celebration

04

Our Financials

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

HEAD OFFICE

I&M House@1046,
Haile Selassie road, Masaki
PO Box 1509,
Dar es Salaam, Tanzania.

CORRESPONDENT BANKS

I&M Bank Limited,
PO Box 30238,
00100 Nairobi,
Kenya.

Standard Chartered Bank New York,
SCB New York – IBF,
One Madson Avenue,
3rd Floor,
New York, NY 10010 – 3603, USA.

•

ICICI Bank Limited,
ICICI Bank Towers,
Bandra – Kurla Complex,
Mumbai 400 051, India.

I&M Bank (Rwanda) Ltd,
PO Box 354,
Kigali, Rwanda.

Citibank N.A,
Upper Hill Road,
PO Box 30711-00100, Nairobi.

BHF Bank Aktiengesellschaft,
60323 Frankfurt am main,
Frankfurt Germany.

JP Morgan Chase Bank, N.A,
383 Madison Ave,
New York,
NY 10017
USA.

REGISTERED OFFICE

I&M House@1046,
Haile Selassie road, Masaki
PO Box 1509,
Dar es Salaam, Tanzania.

COMPANY SECRETARY

Ms. Maria Ashley Gonsalves
I&M House@1046,
Haile Selassie road, Masaki,
PO Box 1509,
Dar es Salaam, Tanzania.

LEGAL ADVISORS

B&E Ako Law
Plot No. 30, House No. 7 Ursino Street
P.O Box 71748
Dar es Salaam

FB Attorneys
8th floor, Amani Place, Ohio Street
P.O. Box 19813
Dar es Salaam
Tanzania

M/s K&M Advocates,
PO Box 71394,
Dar es Salaam, Tanzania.

AUDITOR

KPMG,
The Luminary,
Plot No.574, Haile Selassie Road,
Msasani Peninsula Area,
PO Box 1160,
Dar es Salaam, Tanzania

ABBREVIATIONS

In this document we have used the following abbreviations;

EAD	Exposure at default
ECL	Expected credit losses
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
IAS	International Accounting Standards
IFRSs	IFRS Accounting Standards
LGD	Loss given default
PD	Probability of default
SPPI	Solely for payment of principal and interest
SICR	Significant increase in credit risk
IFC	International Finance Corporation
ILO	International Labour Organization
TFRS 1	Tanzania Financial Reporting Standards 1
DFIs	Development Finance Institutions
EIR	Effective Interest rate

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025

1. Introduction

The Directors submit their report and the audited financial statements for the year ended 31 December 2025 which disclose the state of affairs of I&M Bank (T) Limited ("the Bank").

2. Incorporation

The Bank is incorporated in Tanzania under Companies Act, 2002, domiciled in Tanzania as a private limited company whose shares are not publicly traded.

3. Mission and vision

Vision Statement:

To be a company where the best people want to work, the first choice where customers want to do business, and where shareholders are satisfied with their investment.

Mission Statement:

To be partners of growth for all our stakeholders through:

- Meeting our customers' expectations.
- Motivating and developing every employee.
- Enhancing shareholder value.

4. Principal activities

The principal activity of the Bank is provision of banking and related services as stipulated by the Banking and Financial Institutions Act, 2006. There has not been any significant change in the principal activities of the Bank during the financial year ended 31 December 2025.

5. Our business operating model

Banking Services

We provide banking services to individuals and businesses, including Transactional Accounts, Savings Accounts, Business Accounts, Payment Solutions including Debit and Pre-paid Cards, Transfers, Loans, Mortgages, Overdrafts, Trade finance, Custodial Services, Bancassurance, Digital products and services.

Interest, fees and commissions

We fund our loans through deposits, savings and capital, and actively manage the risks associated with them. In return for our services, we receive interest, fees and commissions. Net interest income, accounting for most of our revenue, is generated as the difference between interest charged to clients on loans and the bank's funding costs.

Re-invest and pay out returns

From our income, we meet our operating costs, reinvest in our business and pay out returns to our investors.

6. Our strategy

The Bank has a three-year corporate strategy "iMara 3.0" launched in 2023. Our Strategic aspiration as per iMara 3.0 is to become "Tanzania's Leading Financial Partner for Growth leveraging on our East African Presence." Our strategy is leveraged towards key growth sectors while driving efficient and effective execution through the three strategic pillars and key enablers aimed at:

- Develop Leadership in our Core Segments (Corporate & Commercial)
- Build Relevance in Emerging customer Segments (Retail & SME)
- Become a market leader in ecosystems

In order to deliver on these objectives and maintain our growth trajectory, The iMara 3.0 strategy is based on choices that we have made in the following key areas:

- Segments - Pursue a diversified segment strategy (Corporate and Commercial, Retail and SME) starting with what the customer wants and provide a full range of solutions to meet those needs.

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

6. Our strategy (Continued)

- New business lines - Develop solutions that compliment and offer value enhancement to current offerings as well as provide an overall improved client experience across all their financial needs.
- Customer Experience - Aggressively build digital access channels to enhance customer engagement while recognising that physical access will have an important role for the foreseeable future, in combination with sales engagements and value-added relationship management services. Focus on customer-impact centricity and adopt data-driven decision making as a core principle.
- Digitisation and innovation - Become Digital to the Core by digitizing as many customer interactions as possible while in parallel automating all related internal processes to achieve straight-through-processing for all critical end-to-end processes. Expand service offerings by partnering with various Service Providers / Fintechs.
- Leverage Group Synergies - Continue to leverage cross border business leads. Leverage Chinese desk to increase cross border business. Customize financial solutions harnessing expertise of group industry specialists
- People and Culture - Focus on building world class leadership, talent upskilling and modernizing its HR practices to bolster the engagement level and productivity.
    - Introduce agile ways of working programmes
    - Manage the organizational dynamic and culture to scale and sustain transformation
    - Adopt the ‘Fail-fast and learn mentality’.

Our focus that will drive strategy in the next 3 years is continuing to be best financial partner for growth in the corporate and retail segments with improved customer journey experience and engagement. Deepen the entire ecosystem of our corporate customers and develop Business Banking, SME and Retail proposition linked to our key customers. Invest and grow Digital Banking business in the chosen markets.

Our performance for 2025 is outlined on pages 5 to 8.

7. Review of business performance

The Bank’s results are set out on page 56 of these financial statements. During the year under review, the Bank recorded a Profit before tax of TZS 22,144 million (2024: TZS 18,303 million), an increase of 20.9%.

Interest Income

Interest income during the year amounted to TZS 122,888 million compared to TZS 97,877 million in the previous year, representing an increase of 25.6%. The increase was mainly due to increase in loans and advances to customers by 21.4%. The Bank will continue to diversify its investments to boost its income growth.

Interest expense

Interest expense during the year amounted to TZS 36,037 million, as compared to TZS 31,156 million in the prior year, representing an increase of 15.7%. This is mainly coming from the interest offered to the bank customers as well as long term borrowings.

Net interest income

Net interest income (interest income less interest expense) during the year amounted to TZS 86,850 million, as compared to TZS 66,722 million in prior year, representing an increase of 30.2% as interest income grew more than interest expense.

Non - interest income

Non- interest income (Net fees and commission income, net trading income, Fair value gain, other operating income and dividend) amounted to TZS 31,662 million as compared to TZS 22,398 million in prior year, implying an increase of 41.4%. This was mainly attributed by increase in fees and commission and foreign exchange income as well as recoveries income from prior year written-off loans and advances.

Non-interest expenses

Non- interest expenses (staff costs, premises and equipment costs, general administrative expenses, depreciation and amortisation) amounted to TZS 64,949 million as compared to TZS 48,940 million in prior year, implying an increase of 32.7%. The rise was mainly driven by higher staff costs and general administrative expenses, reflecting increased investment in resources to support business growth.

Income tax

Income tax charge amounted to TZS 2,083 million (2024: TZS 3,139 million).

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

7. Review of business performance (Continued)

Key performance ratios

The key performance ratios of the Bank are indicated as hereunder:

Performance indicator	Definition and calculation method	2025	2024
Return on average assets	Net profit/Total assets.	2.28%	1.29%
A measure of how well the bank uses its assets to generate profits			
Return on average equity	Net profit/Total equity	14.68%	13.52%
A financial ratio that measures the performance of a bank based on its average shareholders' equity outstanding			
Non-interest income to net interest income	Non - interest income/net interest income	36.32%	33.60%
Shows how much income the bank earns from non-lending activities relative to its core lending business.			
Operating expenses to average assets	Operating expenses/average assets	4.77%	4.17%
A measure of how efficiently the bank uses its assets to generate operations relative to its cost base.			
Non-interest expenses before tax to operating income	Total costs/Total income	54.80%	54.92%
A measure of non-interest expense before tax to operating income			

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

Performance indicator	Definition and calculation method	2025	2024
Shareholders fund to total assets	Shareholders' fund/ total assets	16.10%	14.90%
Indicates how much of the bank's assets have been generated by issuing equity shares rather than by taking on debt			
Non-performing loans to total advances	Non - performing loans/Gross loans and advances.	4.03%	8.41%
Indicates the percentage of non-performing- loans to total gross loans and advances			
Gross loans to total deposits	Total loans to customers/Total deposits from customers.	73.85%	68.08%
Measures the bank's liquidity by comparing a bank's total loans to its total deposits for the same period			
Loans to total assets	Loans/Total assets.	58.68%	55.66%
A measure of the bank's assets that are financed by debt rather than equity.			
Liquidity ratio	Liquid Assets/Liquid Liabilities	27.98%	34.53%
Measures the bank's ability to pay its short-term debt obligations			

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)
7. Review of business performance (Continued)

Financial position

The Bank's financial position is set out on page 57 of these financial statements. Major movements are as explained in the table below:

Item	2025 TZS' 000	2024 TZS ' 000	Increase / (Decrease) TZS ' 000	%
Assets				
Cash and balances with Bank of Tanzania	101,058,884	86,527,215	14,531,669	17%
Loans and advances to banks	104,872,525	61,038,155	43,834,370	72%
Loans and advances to customers	527,976,059	435,023,035	92,953,024	21%
Due from group companies	9,828,215	7,730,343	2,097,872	27%
Investment in government securities at amortised cost	148,543,604	165,676,022	(17,132,418)	-10%
Investment in government securities at FVTPL	-	1,688,839	(1,688,839)	-100%
Equity investment at FVOCI	1,013,750	1,013,750	-	0%
Tax recoverable	4,208,087	2,461,684	1,746,403	71%
Property and equipment	15,824,945	13,715,097	2,109,848	15%
Intangible assets - software	4,478,523	3,136,665	1,341,858	43%
Deferred tax asset	13,615,849	12,562,103	1,053,746	8%
Other assets	22,543,969	13,391,814	9,152,155	68%
Total Assets	**953,964,410**	**803,964,722**	**149,999,688**	**19%**
Liabilities				
Deposits (banks, customers and group companies)	757,944,061	657,314,293	100,629,768	15%
Lease liabilities	9,560,450	7,052,665	2,507,785	36%
Provisions	879,990	879,990	-	0%
Other liabilities	15,793,556	15,687,795	105,761	1%
Long term borrowing	16,171,180	3,276,176	12,895,004	394%
Total Liabilities	**800,349,237**	**684,210,919**	**116,138,318**	**17%**

Deposits

There is a growth in the total deposits during the year by TZS 100,630 million (+15%) due to deposits received from customers, interbank and group. Customer deposits grew by TZS 61,262 million (+11%), largely supported by a strong 30% growth in CASA balances, while term deposits increased by 5%. This performance reflects the successful execution of Corporate and Retail deposit mobilisation campaigns implemented during the year, which strengthened the Bank's funding base and liquidity position.

Loans and advances to customers

There was a net increase in loans and advances of TZS 92,953 million (+21%) during the year, largely driven by strong deposit growth and improved lending activity, supported by positive performance in key sectors of the economy, notably agriculture, manufacturing, personal and trade.

Government securities

There was a decrease in investment in government securities of TZS 18,821 million (11%) during the year, mainly due to the reallocation of funds towards higher-yielding loans and advances, supported by strong deposit growth, as well as active balance sheet optimisation and liquidity management in line with the Bank's funding and risk appetite.

Long term borrowing

Long-term borrowings increased to TZS 16,171 million (2024: TZS 3,276 million), mainly due to the Tranche 1 drawdown of USD 5 million out of a total USD 10 million facility, representing five-year long-term funding from the Netherlands Development Finance Company (FMO) during the year.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

7. Review of business performance (Continued)

Financial position (continued)

Cash flows

During the year, the Bank's major source of cash flows was from its operating activities which generated a net amount of TZS 35,525 million (2024: TZS 68,008 million) resulting mainly from increase in assets. Cash outflows amounting to TZS 124,339 million (2024: cash outflow TZS 7,160 million) through loans and advances was mainly funded by TZS 100,744 million (2024: TZS 42,677 million generated from total deposits and injection of additional capital of TZS 13,800 million.

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

8. Our resources

Value creation is central to our strategy. We create value in various ways – not just as a bank, but also as an employer. By lending to business, we support economic growth and job creation. We also provide mortgages so that people can buy their own homes.

Financial resources

This includes cash, debt and equity that enable an organization to produce goods or provide services. In 2025, we created higher financial value attributed to an increase in our profits before impairments. Interest payments to clients increased by 12% year on year, following increase in market interest rates. Loans, however, showed an increase in value for clients as a result of lower interest rates, in effect, reducing the cost of borrowing for customers.

Manufactured resources

Manufactured resources include buildings, equipment, and infrastructure. In 2025, the value of basic banking services remained broadly unchanged compared with 2024, partly offset by higher fees and commissions from increased transactions, trade finance, and bond trading during the year.

Intellectual resources

Intellectual resources comprise the Bank's knowledge-based intangible assets. During the year, the value generated from digital banking services increased, supported by continued investment in intangible assets, particularly IT systems and digital platforms.

Human resources

Includes people's competencies and capabilities. Employee well-being improved during the year, engagement rose during the year. At the same time, there was no deterioration in occupational health & safety.

Social and relationship resources

Includes the relationships between an organization and communities and other stakeholders. The bank continued to create value for clients, largely through its Corporate Social Responsibility activities by providing donations to several organizations during the year.

9. Going concern and solvency evaluation

The Bank has complied with the Bank of Tanzania liquidity and capital adequacy ratios. 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. The Directors consider the Bank to be solvent within the meaning ascribed by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

10. Accounting policies

The annual financial statements are prepared on the underlying assumption of going concern. The Bank's accounting policies, which are laid out on pages 62 to 83 are subject to an annual review to ensure continuing compliance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

11. Current and Future developments

The Bank endeavours to be the most innovative player in the industry by providing customized banking products and solutions. The focus areas would be: -

- Introduction of new products and services to meet the unique demands of the industry
- Digitisation of the Bank focusing on solutions to enhance customer service delivery
- Introduction of custodial services and banc assurance

12. Dividend

The directors propose a dividend payment to shareholders from the 2025 profit after tax amounting to TZS 6,018 million. (2024: Nil).

13. Treasury policies and objectives

The Bank maintains a well-documented treasury policy that outlines approved Treasury activities in the Bank and how various risks that arise from such dealings together with other banking activities are identified, measured and managed. These, among others, include liquidity risk, foreign exchange risk and interest rate risk. Regulatory ratios and internal limits on the above stated risks are stipulated in the policy to enable an efficient monitoring of any breaches. Moreover, to combat any losses that may result from dealing activities, the policy allows for establishment of dealer limits, counterparty limits and stop-loss limits that must be reviewed regularly and kept up to-date. In addition to this, roles and responsibilities of Treasury staff, Market Risk unit, senior management and Assets and Liabilities Committee (ALCO) members in complying with the policy are stated.

Assets and Liabilities Management (ALM) team in conjunction with the Risk department provide monthly reports to ALCO to evidence compliance with the policy. Any incident where a guideline has been breached is reported by the Treasury function to the Treasurer who then escalates the breach to ALCO members and Bank Management for immediate actions. The following sections are covered in the Treasury policy: (i) Market Risk policy and (ii) Liquidity Risk policy.

(i) Market Risk policy

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

Changes in interest rates impact the overall profit of the Bank. Hence, in addition to liquidity management, the Bank manages its interest expenses through regular review of the fixed deposit rates and other savings accounts rates, together with striving to obtain reasonable and fair borrowing rates from the interbank and multilateral lenders.

(ii) Liquidity Risk policy

This policy sets out the policy of the Bank towards managing liquidity. The Policy defines the Bank's objectives for managing Liquidity risk, sets conditions for the calculation of the minimum size of the Liquidity Buffer (which consists of cash, unencumbered bonds and money market.

13. Treasury policies and objectives (Continued)

(ii) Liquidity Risk policy (continued)

securities as well as deposits) and the funding needed to support an adequate Liquidity buffer. In preparation of the Policy, the bank has taken into account the provisions of the following:

- The Bank of Tanzania (BOT) Risk Management guidelines for Banks and Financial Institutions;
- Guidelines issued by the Basel Committee on Banking Supervision; and
- Risk Management policy.

(iii) Price Risk policy

The Bank's Price Risk Policy is designed to mitigate financial risks arising from market price fluctuations, including interest rates, foreign exchange rates, and commodity prices. It employs strategies such as diversification, hedging, and strict risk limits, alongside continuous monitoring and sensitivity analysis to protect profitability and capital adequacy. Governance is ensured through regular reviews by the Asset and Liability Management Committee (ALCO) and oversight by the Board Risk Committee (BRC) to maintain alignment with the Bank's risk appetite.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

14. Management of the Bank

The Bank is under the supervision of the Board of Directors and the day-to-day management is entrusted to the Chief Executive Officer supported by the Executive management team.

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

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

- Corporate Banking
- Retail and Digital Banking
- Operations
- Treasury
- Finance
- Human Resource
- Information Technology
- Credit
- Legal
- Risk Management (Reporting directly to Board Risk Committee)
- Internal Audit (Reporting directly to Board Audit Committee)

The Chief Executive Officer (CEO) and Managing Director (MD) reports to the Board and is supported by Chief Operating Officer, Head of Corporate Banking, Head of Retail and Digital Banking and other Heads of Departments. The CEO ensures the preparation of annual budgets and business plans for approval by the Board and establishes appropriate risk management frameworks and internal controls, ensuring that the Bank's operations are consistent with the Bank's risk appetite.

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

15. Board of Directors and Company Secretary

The Directors of the Bank at the date of this report are as follows:

Name	Position	Nationality	Age	Qualifications	Date of appointment
Mr. Madabhushi Soundararajan**	Chairman	Indian	75	Master of Arts – Madras University, India	22nd December 2023
Mr. Alan Mchaki**	Member	Tanzanian	72	FCCA; CPA (T); Associate Member – Swaziland Institute of Accountants	26th September 2016
Mr. Emmanuel Johannes Chacha**	Member	Tanzanian	48	MBA (Financial Services); BSc Electronics & Communication; BSc Applied Accounting; PGDip Digital Business; CPA (T); CIA; CFE; CISA; PMP	17th November 2021
Mr. Zahid Mustafa***	Member	Pakistani	56	MBA; BEng Chemical Engineering	16th March 2023
Mr. Paresh Manek**	Member	Tanzanian	57	Business Executive	11th April 2023
Mr. Christian Shirima*	Member	Tanzanian	39	BEng Electrical Engineering	6th April 2023
Mr. Christopher Kihara Maina*	Member	Kenyan	57	BSc (Hons) Mathematics	19th June 2023
Mr. Jamhuri Ngelime**	Member	Tanzanian	63	MA Banking & Finance – University of Wales, Bangor, UK	2nd October 2023
Ms. Nancy Riwa**	Member	Tanzanian	40	MSc in Finance from the University of Strathclyde	27th February 2025
Ms. Gauri Gupta*	Member	Kenyan	51	Chartered Accountant (ICAI – All India Rank 4); International M&A Expert (IMAA); Select Papers – Chartered Institute of Bankers, UK; B.Com.	5th February 2026
Ms. Sarah Bisanda**	Member	Tanzanian	42	Chartered Accountant (ICAN & SAICA); CPA (T); PGDip Accountancy – Rhodes University; B. Accounting (First Class) – University of Namibia.	14th February 2026

*Non-Executive Director
**Independent Non-Executive Director
***Executive Director

Hon. Ambassador Amina Salum Ali, Independent Non-Executive Director resigned on 22nd August 2025.
Mr. Shameer Patel, Non-Executive Director tenure retired on the 10th December 2025 following end of his tenure.
Ms. Raeesha N. Fakira, Independent Non-Executive Director resigned on 20th February 2026.
The Company secretary as at the date of this report is Ms. Maria Ashley Gonsalves.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

16. Directors' interest

As of 31 December 2025, Mr. Christian Shirima held a direct interest of 3.91% in the Ordinary A Class share capital (unchanged from 2024) and 4.55% in the Ordinary B Class share capital (2024: 4.98%) of the holding company.

17. Directors' remuneration

The remuneration for services rendered by the non-executive Directors of the Bank in 2025 amounted to TZS 662.5 million (2024: TZS 337.8 million), Further details are provided in Note 33.

18. Capital structure and shareholding.

	2025			
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares	TZS '000	Number of shares	TZS '000
Authorized (TZS 1,000,000/- each)	50,000	50,000,000	50,000	50,000,000
Issued, Subscribed & Fully Paid (TZS 1,000,000/- each)	3,554	3,554,016	34,200	34,200,000

	2024			
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares	TZS '000	Number of shares	TZS '000
Authorized (TZS 1,000,000/- each)	50,000	50,000,000	50,000	50,000,000
Issued, Subscribed & Fully Paid (TZS 1,000,000/- each)	3,554	3,554,016	20,400	20,400,000

19. Shareholding

As of 31 December 2025, the following shareholders held shares in I&M Bank (T) Limited:

There are two classes of shares, i.e Ordinary A Class shares and Ordinary B Class shares.

Name of shareholders	2025			
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares held	%	Number of shares held	%
I&M Bank Limited	2,727	76.73	16,079	47.01
I&M Group Plc	688	19.36	16,565	48.44
Mr. Christian Shirima	139	3.91	1,556	4.55
	3,554	100.00	34,200	100.00

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

19. Shareholding (Continued)

Name of shareholders	2024			
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares held	%	Number of shares held	%
I&M Bank Limited	2,727	76.73	16,079	78.82
Microfinance East Africa Limited	559	15.73	2,685	13.16
Proparco	129	3.63	620	3.04
Mr. Christian Shirima	139	3.91	1,016	4.98
	3,554	**100.00**	**20,400**	**100.00**

*During the year, shareholders injected additional capital of TZS 13,800 million through a rights issue, aimed at strengthening the Bank's capital base. Additionally, I&M Group Plc acquired all of the Class A and Class B shares held by Microfinance East Africa Limited and Proparco, with the transfers pending registration with the Business Registrations and Licensing Agency (BRELA).

20. Capital adequacy

The Bank monitors the adequacy of its capital using ratios established by the Bank of Tanzania as described in Note 4(d) to the financial statements.

21. Corporate governance

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

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

- The Board of Directors met regularly throughout the year.
- They retain full and effective control over the Bank and monitor executive management.
- The positions of Chairman and Chief Executive Officer are held by different individuals.
- The Chairman of the Board of Directors is non-executive; and
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.

The Board of Directors meets alteast four times in a year. During the year the Board of Directors had the following board sub-committees to ensure a high standard of corporate governance throughout the Bank. All these committees report to the main Board of Directors.

Board Audit Committee (BAC)

This Committee assists the Board in fulfilling its responsibilities by reviewing the financial condition of the Bank, overseeing the integrity of financial reporting, reviewing the effectiveness of internal controls, and ensuring compliance with applicable legislation and the requirements of regulatory authorities. The Committee reviews report and follows up on matters raised by the external auditors, internal auditors and the Bank of Tanzania. The Committee met four times during the year.

The Board Audit Committee comprised of the following members:

Name	Position	Remarks
Mr Jamhuri Ngelime	Chairman	Appointed on 1 January 2025
Mr. Alan Mchaki	Member	Appointed on 1 January 2025
Ms. Sarah Bisanda	Member	Appointed on 20 February 2026
Ms. Raeesha Fakira	Member	Resigned on 20 February 2026

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

21. Corporate governance (Continued)

Board Credit Committee (BCC)

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

The Board Credit Committee members comprise the following;

Name	Position	Remarks
Ms. Gauri Gupta	Chairperson	Appointed on 20 February 2026
Mr. Christopher Kihara Maina	Member	
Ms. Nancy Riwa	Member	Appointed on 20 February 2026
Mr. Paresh Manek	Member	
Mr. Shameer Patel	Chairperson	Resigned on 10 December 2025

Board Nomination Remuneration Governance Committee

This Committee undertakes structured assessments of candidates for Executive Management, reviews human resources and remuneration policies, and oversees governance practices.

The Committee meets at least twice in a year. The members of the Committee are:

Name	Position	Remarks
Mr. Christopher Kihara Maina	Chairman	
Mr. Paresh Manek	Member	Appointed on 1 January 2025
Ms. Nancy Riwa	Member	Appointed on 20 February 2026
Mr. Shameer Patel	Member	Resigned on 10 December 2025
Hon. Ambassador Amina Salum Ali	Member	Resigned on 22 August 2025

Board Strategy and Investment Committee

The Board Strategy and Investment Committee supports the Board by providing guidance on the Bank's long-term strategic direction and investment decisions. It is responsible for overseeing the implementation and alignment of the Bank's strategy and investment initiatives. The Committee established in January 2025 and meets at least four times in a year. The members of the Committee are:

Name	Position	Remarks
Mr. Christian Shirima	Chairman	
Mr. Christopher Kihara Maina	Member	
Ms. Gauri Gupta	Member	Appointed on 20 February 2026
Mr. Emmanuel J Chacha	Member	Appointed on 20 February 2026
Mr. Shameer Patel	Member	Resigned on 10 December 2025

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

21. Corporate governance (Continued)

Board Risk Committee (BRC)

Established effective 1 January 2025, this Committee assists the Board in overseeing the Bank's risk management framework, including risk identification, assessment, monitoring, and reporting across key risk categories. The Committee meets at least four times a year.

The members of the Committee are:

Name	Position	Remarks
Mr. Emmanuel Johannes	Chairman	
Mr. Christian Shirima	Member	
Ms. Nancy Riwa	Member	Appointed on 20 February 2025
Ms. Gauri Gupta	Member	Appointed on 20 February 2026
Mr. Shameer Patel	Member	Resigned on 10 December 2025

22. Principal risks and uncertainties

The key risks that may significantly impact the Bank's short-to-medium term strategy are mainly Credit, Operational, Compliance, Information and Communication Technology (ICT), Market, Liquidity, Strategic and Reputational risk. Below, we provide a description of these various risk categories that the Bank faces.

Credit risk

This is the risk resulting from the possibility that an asset in the form of a monetary claim against a counter party may not result in a cash receipt (or equivalent) as per the terms of the contract. The Bank has robust controls in place to its exposure to credit risk, including approval limits, disbursement controls, continuous monitoring and a robust risk appetite statement.

ICT risk

Risk associated with the use of Information and communication technology to support business processes/standards. ICT Risk results from inadequate or failed ICT Strategy, ICT Project and Program or ICT Operations. The Bank has robust checks in place to limit its exposure to ICT risk and performs regular monitoring to validate the efficacy of its ICT risk controls.

Market risk

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

Liquidity risk

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

Strategic risk

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

22. Principal risks and uncertainties (Continued)

Reputational risk

The risk that an activity, action or stance taken by the Bank's officials will impair its image in the community and/or the long-term trust placed in the Bank by its stakeholders resulting in the loss of business or the threat or legal action. The Bank has stringent reputation risk controls in place including very tight controls on corporate communications and messaging.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

22. Principal risks and uncertainties

Operational risk

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

Fraud, whether internal or external, is also a subset of operational risk. The number and value of fraud cases within the bank is quite very low when compared to overall customer numbers, balances and transaction volumes. This is due to the Bank being able to implement a number of stringent controls including preventive and detective measures.

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

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

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

Environmental and social risk

Environmental and social risks are the risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the bank to assess the impacts of activities (of both the bank and its clients) which could harm the environment or have negative social impact.

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

23. Employee welfare

Relationship between management and employees

The relationship between employees and management continued to be cordial. Complaints are resolved through meetings and discussions and the Bank has set up appropriate management committee forums for this purpose. Work morale is good and there were no unresolved complaints from employees. The Bank provides training, medical assistance and concessional loans to its employees.

Training

The Bank offers sponsorship to its employees in both short and long-term courses within and outside the country in various disciplines depending on the corporate needs and financial resources available as well as in – house training and development focusing on technical banking areas.

Staff loans and advances

The Bank provides housing, personal and car loans to staff as well as salary advances to enable them to meet their financial requirements and promote economic development. Staff loans and advances are based on specific terms and conditions approved by the Board of Directors.

Medical facilities

The Bank provides medical cover for both, Inpatient and Outpatient care for employees and their dependents.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

23. Employee welfare (Continued)

Retirement benefits

The Bank makes contributions in respect of staff retirement benefits to National Social Security Fund. The total number of employees as at year-end was 234 (2024: 197).

Persons with Disabilities

Applications for employment from persons with disabilities are considered on the basis of the applicant's skills and ability to perform the role. Where an employee acquires a disability, the Bank makes every reasonable effort to support continued employment, including providing appropriate workplace adjustments and training where necessary. The Bank's policy is that training, career development and promotion opportunities for persons with disabilities should, as far as possible, be the same as those available to other employees.

Gender parity

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the most suitable candidate is appointed to any given position without discrimination on grounds such as gender, marital status, ethnicity, religion or disability) (where the disability which does not impair the individual's ability to perform the required role). As of 31 December 2025, the Bank had 123 male and 111 female employees (2024: 98 male and 99 female employees).

Related party transactions

All related party transactions and balances are disclosed in Note 33 to these financial statements.

24. Political and charitable donations

The Bank did not make any political donations during the year. The Bank has set aside TZS 185 million for the charitable donations during the year (2024: TZS 26 million). These funds will be used to make the donations and related activities planned for the year 2026.

25. Corporate social responsibility

The Bank participates actively in community activities and development programmes throughout the country. The areas being given priority are health, education, and support to orphaned children, victims of natural disasters, disabled persons, and security.

26. Environmental & social management system

The Bank recognises that environmental and social (E&S) risks are critical to sustainable operations and has implemented an Environmental and Social Management System (ESMS) in line with International Finance Corporation (IFC) Performance Standards and International Labour Organization (ILO) guidelines. The ESMS ensures that E&S risks are identified, assessed, and managed in accordance with the Bank's Environmental and Social Management Policy. It is fully integrated into the Bank's overall credit risk management framework and is periodically reviewed to ensure continued compliance with both regulatory requirements and internal risk management standards.

The Bank operates in an increasingly dynamic market and must respond to an ever-changing external environment including cyberattacks, political instability, unfavourable business conditions and adverse weather conditions. These factors can significantly disrupt the systems and processes that enable us to serve and protect our customers. The Bank has built strategies to manage the external forces by continuous enforcement of cybersecurity controls, perform contingency plans for disruptions of critical systems and investment in digital platforms.

27. Sustainability and ESG information

1.0 Basis of preparation

(a) Reporting entity

The sustainability report has been prepared for the Bank and should be read in conjunction with the Bank's financial statements appearing on pages 21 to 46.

(b) Statement of compliance

The Bank's Sustainability Report has been prepared in accordance with Tanzania Financial Reporting Standard (TFRS) 1, as issued by the National Board of Accountants and Auditors, on sustainability-related disclosures. TFRS 1 is informed by the principles of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

1.0 Basis of preparation (Continued)

(c) Connectivity

This report is prepared for the same reporting period as the Bank's financial statements and is presented alongside them.

Sustainability-related disclosures are integrated with, and cross-referenced to, relevant sections of the financial statements and other reports to ensure consistency and clear linkage between sustainability-related risks and opportunities and their financial effects.

(d) Functional and presentation currency

Sustainability-related financial information is presented in Tanzanian Shillings (TZS). All amounts have been rounded to the nearest thousand, unless otherwise stated.

(e) Sources of guidance

In preparing its sustainability-related financial information, the Bank has referred to, and considered, the applicability of disclosure topics and metrics in the Sustainability Accounting Standards Board (SASB) Standards. Specific information about which SASB Standards were considered by the Bank is contained in the metrics and targets section of this report. In some cases, the Bank has also prepared disclosures using other sources of guidance such as Global Reporting Initiatives (GRI) Universal Standards and UN Sustainable Development Goals (SDGs). The source of metrics used by the Bank is detailed in the metrics and targets section of this report.

(f) Assumptions, judgements and estimates

Judgements

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

Topic	Description
Materiality	To identify relevant risks and opportunities and material information, the Bank exercised judgement in assessing impacts and dependencies across the value chain that could reasonably influence the Bank's strategy, business model or financial position and performance.
Time Horizons	The Bank applied judgement in defining short (0 - 1 year), medium (1 - 2 years) and long-term (2-3 years) time horizons used to assess the potential financial effects of sustainability-related risks and opportunities.
Climate Risk Identification	Judgement was exercised in determining which physical and transition climate-related risks are relevant to the Bank's operations and financed activities.
Connectivity with Financial Statements	The Bank exercised judgement in assessing how sustainability-related risks and opportunities affect the financial statements.
GHG emissions	Management exercised judgement in selecting methodologies, emission factors, and assumptions used to quantify GHG emissions.

Measurement uncertainty

Measurement uncertainty in the sustainability report arises from data gaps, reliance on proxy information, external factors and forward-looking information. The table below summarises the main sources of measurement uncertainty affecting the amounts disclosed in the sustainability report.

Topic	Description
GHG emissions	Quantification of GHG emissions is inherently subject to limitations due to incomplete scientific knowledge and the methods used to determine emission factors. The use of different but acceptable emission factors or measurement techniques could materially change emissions being reported.
Resilience assessment	Forward-looking assessments of climate-related risks and strategic resilience are inherently uncertain, as they rely on assumptions about future policy, regulatory developments, market responses, and technological change. The Bank's resilience assessment is primarily qualitative at this stage and sensitive to changes in these assumptions. As data availability, modelling capabilities, and governance processes improve, the Bank expects to strengthen the robustness and decision-usefulness of future assessments.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

(g) Transition reliefs

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

Topic	Description
Comparative information	The Bank has not disclosed comparative information on sustainability-related risks and opportunities for prior periods, including related metrics and disclosures.
Scope 3 emissions – Financed emissions	Where complete direct borrower-level emissions data was unavailable, the Bank has disclosed indicative estimates using reasonable proxies and estimation techniques.

2.0 Governance

Sustainability governance

The Bank's governance framework ensures that sustainability-related risks and opportunities (SRROs) are systematically overseen and integrated into strategic decision-making, risk management, and financial planning. Governance processes provide monitoring, challenge, and accountability across the Bank, while supporting accurate and transparent sustainability-related disclosures.

Board Oversight of Sustainability-related Risks and Opportunities

Board of directors

The Board of Directors holds ultimate responsibility for SRRO oversight, including approval of the Environmental & Social Risk (ESR) Policy and the Environmental & Social Management System (ESMS). The Board ensures that environmental and social risks are embedded in the Bank's risk appetite, strategy, and business plans.

Key Responsibilities include:

- Assess whether directors and senior management have the appropriate skills and competencies to oversee SRROs and arrange capacity-building programs as necessary.
- Consider SRROs in strategy formulation, major transactions, and risk management policies, including evaluating trade-offs associated with sustainability matters.
- Oversee the setting of SRRO-related targets, monitor progress, and embed sustainability performance metrics in evaluations and, where applicable, remuneration frameworks.
- Review and approve sustainability reporting to ensure the integrity, accuracy, and consistency of public disclosures on environmental, social, and governance matters.

Board Risk Committee (BRC)

The Board Risk Committee (BRC) supports the Board in overseeing sustainability-related risks and opportunities (SRROs). Key responsibilities include:

- To ensure sustainability-related risks and opportunities (SRROs) oversight roles and responsibilities are clearly defined within the bank's policies, terms of reference, and other governance documents.
- Provide guidance on material sustainability topics.
- Review and approve relevant public disclosures.
- Monitor the implementation of the Environmental and Social Management System (ESMS).
- Escalate significant or emerging environmental and social risks to the Board.

Management Oversight of Sustainability-related Risks and Opportunities

Senior Management, supported by the Environmental & Social (E&S) Coordinator, is responsible for the day-to-day oversight and management of SRROs. This includes implementing the governance processes, controls, procedures, and escalation mechanisms defined in the Environmental & Social Risk (ESR) Policy and the Environmental & Social Management System (ESMS). Operational responsibility for SRROs is delegated to the E&S Coordinator, who works closely with business units and other internal functions including credit, risk, compliance, audit, and legal to ensure sustainability considerations are embedded across the Bank's operations.

Management regularly reports to the Board and the Board Risk Committee (BRC) on key sustainability matters. Reports include updates on significant environmental and social risks, emerging issues, scenario analysis results, and ESMS performance. These updates support informed decision-making at the Board level and ensure accountability for the integration of SRROs into strategic planning, risk management, and financial performance.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

2.0 Governance (Continued)

Board Oversight of Sustainability-related Risks and Opportunities (Continued)

Integration of SRROs into Strategy, Risk, and Performance

The Board actively considers SRROs when overseeing the Bank's strategy, major transactions, and risk management policies. Trade-offs associated with sustainability matters are evaluated as part of strategic decision-making, and material SRROs are incorporated into the Bank's risk appetite framework.

The Board and the BRC also oversee the establishment of SRRO-related targets and monitor progress against these objectives. Sustainability performance metrics are incorporated into management evaluations and, where relevant, into remuneration frameworks. The BRC ensures that sufficient resources are allocated to support SRRO oversight and that controls and monitoring mechanisms function effectively, escalating significant or emerging issues to the full Board as necessary.

Senior Management, supported by the E&S Coordinator, is responsible for the operational implementation of these processes. Management ensures that sustainability-related risks and opportunities are systematically monitored, managed, and reported. Reports to the Board and BRC include updates on significant environmental and social risks, emerging matters, scenario analysis results, and ESMS performance. Management also establishes governance processes, escalation procedures, and due diligence mechanisms to support consistent oversight of SRROs.
Management establishes robust internal controls and procedures to support SRRO oversight. These include escalation protocols, due diligence processes, and monitoring mechanisms to ensure risks are identified, assessed, and mitigated effectively. Oversight is integrated with other internal functions, including credit, risk, compliance, audit, and legal, to provide a comprehensive approach to managing environmental and social risks.

Through this structured governance framework, the Bank ensures that sustainability-related risks and opportunities are systematically managed, accountability is clear, and reporting is accurate and transparent. This framework supports the Bank's strategic objectives while maintaining alignment with the requirements of IFRS S1, and the Bank's internal policies.

Management's Role in Sustainability Governance

Management plays a central role in executing the Bank's sustainability governance framework. Operational responsibility for SRROs is delegated to the E&S Coordinator, who coordinates with business units and internal functions to embed sustainability considerations across the Bank's activities. Management monitors ESMS implementation, reviews SRRO-related performance against targets, and ensures that escalation and reporting mechanisms are functioning effectively. This enables timely identification and mitigation of environmental and social risks while supporting informed decision-making by the Board and BRC.

By combining Board oversight, BRC guidance, and operational management, the Bank maintains a clear and accountable governance structure for SRROs, ensuring that sustainability considerations are fully integrated into strategic decision-making, risk management, and performance evaluation.

Skills, Competence and Training

The Board maintains a strong focus on ensuring that it possesses the appropriate mix of skills, competencies and experience required to provide effective oversight of the Bank's operations and sustainability strategy. The Board of Directors comprises professionals with diverse backgrounds including banking, finance, accounting, risk management, engineering, mathematics, investment, and business leadership, enabling robust oversight across the Bank's strategic and operational priorities.

During the reporting period, the Board received targeted sustainability training aimed at strengthening its oversight of environmental, social and governance (ESG) risks and opportunities.
The training session titled "Leading from the Future: Integrating Sustainability into Board Governance" was conducted on 9th May 2025 from ESG Lead at Protos Capital LLP.

The session covered several key areas including:

- The strategic relevance of sustainability across I&M Group's business units.
- The Board's role in providing ESG oversight across risk management, property, wealth management, and capital planning.
- Emerging regulatory and market trends shaping ESG expectations.
- Sustainable financing opportunities and governance considerations.
- ESG integration within banking operations, property portfolios and wealth management.
- Sustainable finance instruments and investment opportunities.·
- Carbon markets and financing opportunities for carbon offset projects.
- A case study titled "A Board's Sustainability Governance Journey", which highlighted best practices in embedding sustainability within organizational governance structures.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

2.0 Governance (Continued)

Integration of SRROs into Strategy, Risk, and Performance (Continued)

Skills, Competence and Training (Continued)

The training further provided deeper insights into sustainability concepts including the relationship between profitability, planet, and people, the role of the Sustainable Development Goals (SDGs), and the integration of ESG considerations into business strategy and organizational culture.

The training enhanced the Board's understanding of sustainability risks and opportunities and strengthened its capacity to oversee the Bank's sustainability strategy and reporting obligations.

The table below summarises the various skills and competencies of the Board of directors:

Board Member	Gender	Audit & Accounting	Climate / Sustainability	Human Rights	Digital & IT	Enterprise Risk Management	Society / Geopolitics	Management / Strategy
Alan Mchaki	M	•				•		•
Emmanuel Johannes Chacha	M	•			•	•		•
Zahid Mustafa	M					•		•
Paresh Manek	M					•	•	•
Christian Shirima	M				•	•		•
Christopher Kihara Maina	M					•	•	•
Jamhuri Ngelime	M	•				•	•	•
Madabhushi Soundararajan	M	•				•		•
Nancy Riwa	F	•	•			•		•
Shameer Patel	M					•	•	•
Hon. Ambassador Amina Salum Ali	F			•		•	•	•
Gauri Gupta	F	•	•		•	•	•	•
Sarah Bisanda	F	•				•		•

Remuneration linked to sustainability performance metrics

At present, sustainability and climate-related performance indicators are not directly linked to executive remuneration or incentive structures. The Bank continues to monitor developments in market practice and regulatory expectations.

Business functions

Business functions are responsible for embedding sustainability and climate considerations into day-to-day operations. This includes implementing approved mitigation measures and policies in operations, identifying any emerging operational risks, supporting compliance with internal requirements, and escalating emerging sustainability-related risks and opportunities to members of the Environmental & Social (E&S) Coordinator.

3.0 Strategy

The Bank's strategy is designed to deliver sustainable long-term value through disciplined growth, strengthened client relationships, and enhanced resilience across all business segments. Sustainability-related risks and opportunities including climate-related, environmental, social, and governance (ESG) factors are embedded within strategic planning, capital allocation, and
risk management. These considerations support compliance with evolving regulatory requirements and are aligned with international financial reporting expectations, including IFRS principles on faithful representation, materiality, and relevance.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

3.0 Strategy (Continued)

Definition of Time Horizons and Mapping of Risks

The Bank considers short, medium, and long-term horizons when assessing sustainability-related risks and opportunities:

Time horizon	Definition	Link to bank's planning horizons for strategic decision-making
Short term	0 - 1 year	Aligned to annual budgeting, operational plans, and performance targets approved by the bank.
Medium term	1 - 3 years	Aligned to the bank's 1 – 3 year strategic plan, capital planning, and major product and market expansion decisions.
Long term	Over 3 years	Aligned to long-term growth strategy, sustainability roadmap, and investment initiatives.

Mapping risks to these horizons enables the Bank to integrate sustainability considerations systematically into strategy, capital deployment, and operational planning.

Identifying relevant sustainability -related risks and opportunities and material information

The Bank conducts assessments to identify sustainability-related risks and opportunities (SROs) that could reasonably affect its strategy, business model and prospects. The assessment process was performed in accordance with the guidance issued by the National Board of Accountants and Auditors and with reference to the disclosure requirements of TFRS 1, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

The objective of the process is to identify sustainability-related matters that could reasonably be expected to affect the Bank's financial performance, financial position or future prospects. The following summarises the materiality assessment process applied during the reporting period.

The following is a summary of the materiality assessment process.

Identifying relevant risks and opportunities

(i) Identification of sustainability-related risks and opportunities

The Bank identifies sustainability-related risks and opportunities through its risk management and ESG governance processes. This includes assessing exposures across counterparties, industry sectors, business lines and geographic locations in which the Bank operates.

The identification process considers environmental, social and governance factors that may
affect the Bank's operations, lending activities and investment portfolio. Inputs to the assessment include internal risk assessments, stakeholder engagement, sector analysis and relevant external guidance. Climate-related scenario analysis is considered where relevant to assess potential climate-related risks.

(ii) Assessment of potential impacts on strategy and risk profile

Identified risks and opportunities are evaluated to determine whether they could affect the Bank's strategy, lending portfolio, financial performance or risk profile. This assessment considers exposures to sectors and counterparties that may be vulnerable to climate-related transition or physical risks.

(iii) Evaluation of financial relevance

The Bank evaluates the potential financial implications of identified risks and opportunities across short-, medium- and long-term planning horizons. The assessment considered a range of qualitative and quantitative factors - including the nature, magnitude and likelihood of impacts from both management and user perspectives.

(iv) Identification of potentially material information

Potentially material disclosures relating to the identified risks and opportunities are determined by applying the requirements of IFRS S1 & S2 and referring to relevant industry guidance, including the standards issued by the Sustainability Accounting Standards Board for commercial banks.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

3.0 Strategy (Continued)

(v) Determination of material information

Information is considered material where it could reasonably influence the decisions of users of the Bank's general purpose financial reports, including investors and lenders.

(vi) Governance review and approval

The results of the assessment are consolidated and reviewed through the Bank's governance structures. Relevant sustainability-related risks and opportunities and associated disclosures are reviewed by management and submitted to the appropriate Board-level committees for oversight prior to inclusion in the sustainability disclosures.

Sustainability-related risks and opportunities

The table below summarizes the relevant sustainability-related risks and opportunities that could affect the bank over the short, medium and long term:

Topic	Risk/opportunity	Time horizon*	Affected areas
Environmental			
Climate	Physical risk: Extreme weather events may damage customers' assets and collateral, increasing credit risk exposure.	Medium	• Lending portfolio. • Collateral management • SME and agricultural sectors.
	Transition risk: Shifts toward low-carbon economies may reduce performance of carbon-intensive borrowers.	Long	• Corporate sector exposures • Investment portfolio.
Green Lending	Risk: Renewable energy / climate projects may face regulatory, execution, or technology risks.	Medium	• Project finance • Corporate lending.
	Opportunity: Financing green initiatives creates new revenue streams and market positioning.	Medium / Long	• Corporate and SME lending • Sustainable finance products.
GHG Emissions	Risk: High emissions linked to financed projects or operations may result in future financial liabilities under carbon pricing, taxes, or transition costs.	Medium / Long	• Lending portfolio (high-emission sectors), • Corporate operations • Strategic investments • Reporting obligations.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

3.0 Strategy (Continued)

Sustainability-related risks and opportunities (Continued)

Topic	Risk/opportunity	Time horizon*	Affected areas
Social			
Data Security	Risk: Cyberattacks, data breaches, operational outages, or non-compliance with data protection regulations may cause financial and reputational loss.	Short / Medium	• Digital banking platforms • IT systems • Customer data.
	Opportunity: Strengthening cybersecurity and governance enhances customer trust and supports digital adoption.	Medium	• Digital banking channels • Customer engagement.
Financial Inclusion & Capacity Building	Opportunity: Financial literacy and inclusion programs broaden customer base, improve repayment discipline, and strengthen loyalty.	Medium	• Retail and SME banking • Customer development.
Diversity & Inclusion	Risk: Limited workforce diversity or insufficient talent development may reduce innovation, engagement, and leadership pipelines.	Medium	• Human resources • Talent management.
Governance			
Business Ethics	Risk: Fraud, misconduct, or unethical conduct may result in financial losses, regulatory sanctions, and reputational damage.	Short	• Internal controls • Compliance units • Operational processes.
	Opportunity: Strengthening governance and ethical culture reduces misconduct risk and builds stakeholder confidence.	Medium	• Governance frameworks • Compliance programs.
ESG Integration in Credit Analysis	Risk: Lending to high-impact sectors without ESG assessment may lead to regulatory scrutiny, reputational risks, and credit losses.	Short / Medium	• Credit approvals • Lending portfolio.
	Opportunity: Integrating ESG considerations into credit risk assessment improves risk management and access to sustainable finance markets.	Medium	• Credit risk management • Lending policies.
Capital Deployment	Opportunity: Strategic ESG investments enhance resilience and long-term competitiveness.	Long	• Technology infrastructure • Strategic investments.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

3.0 Strategy (Continued)

Business model and value chain

Segment	Key Risks	Key Opportunities	Actions / Strategic Integration
Corporate & Commercial Banking	Transition risks: environmental regulations, carbon pricing, technological shifts. Physical risks: Extreme weather affecting borrowers and collateral.	Sustainability-linked financing: renewable energy, energy efficiency, climate-smart agriculture, sustainable infrastructure.	• ESG integration in credit analysis, sector underwriting, risk ratings, covenants, and pricing. Risk-sharing with Development Finance Institutions (DFIs).
Retail & SME Banking	Credit exposure in informal segments, financial literacy gaps, cybersecurity/data governance risks.	Financial literacy programs, digital onboarding, inclusive finance initiatives, CASA growth.	• ESG embedded in product design, digital channels, risk management, and portfolio monitoring.
Ecosystem Partnerships	Operational, compliance, and reputational risks from interconnected partners.	Scale microcredit and savings products efficiently.	• Third-party risk frameworks, due diligence, contractual safeguards, integrated enterprise risk oversight.
Operations & Workplace	Energy price volatility, operational inefficiency, GHG emissions.	Energy-efficient office design, reduced consumption, improved collaboration and employee wellbeing.	• ESG-guided head office design, energy management systems, and workplace improvements.

Understanding Sustainability-Related Risks and Opportunities and Their Effects on Strategy and Financial Performance.

Climate

Risk and opportunity description

The Bank's lending portfolio includes exposure to sectors such as agriculture, manufacturing, construction, tourism, mining and energy that may be affected by climate-related risks. Physical risks, including extreme weather events and environmental degradation, may damage borrower assets and collateral, potentially increasing credit risk exposure within SME, agricultural and corporate lending portfolios. Transition risks may arise as economies move toward lower-carbon models, which could affect the performance of borrowers operating in carbon-intensive sectors.

At the same time, the transition to climate-smart and sustainable sectors presents opportunities for the Bank to expand financing for renewable energy, energy efficiency, climate-smart agriculture and sustainable infrastructure. These sectors are expected to support portfolio diversification and long-term growth.

Current financial effects

In the reporting period, the Bank continued integrating climate and environmental considerations within credit risk assessment, sector exposure monitoring and collateral management processes. These considerations influence lending decisions, portfolio composition and risk pricing, particularly within sectors exposed to environmental or climate-related vulnerabilities.

The Bank also continued allocating resources to strengthen ESG risk management capabilities and data systems as part of its broader sustainability strategy.

Strategy

To manage these risks and capture opportunities, the Bank integrates ESG considerations into credit analysis, sector underwriting standards and borrower risk ratings. Portfolio monitoring processes incorporate climate-sensitive sector exposures, enabling proactive management of potential credit risks.

In parallel, the Bank aims to expand financing to climate-aligned sectors, including renewable energy and climate-smart agriculture, while leveraging partnerships with development finance institutions to strengthen portfolio resilience and facilitate financing in emerging sustainable sectors.

Anticipated financial effects

Over the medium to long term, integrating climate considerations into lending decisions is expected to improve credit risk management, protect collateral values and reduce exposure to stranded assets. Growth in sustainable financing is expected to support portfolio diversification and generate new revenue streams aligned with evolving regulatory expectations and market demand for sustainable financial products.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

3.0 Strategy (Continued)

Data Security and Financial Inclusion

Risk and opportunity description

The Bank's strategy emphasises digital expansion and increased access to financial services through retail and SME banking channels. While digital banking platforms improve accessibility and customer experience, they also increase exposure to cybersecurity threats, data protection risks and operational disruptions.

At the same time, expanding financial inclusion and financial literacy initiatives presents an opportunity to broaden the Bank's customer base, improve customer resilience and strengthen long-term client relationships.

Current financial effects

During the reporting period, the Bank continued investing in IT infrastructure, cybersecurity controls and digital platforms to support secure service delivery and protect customer data. These investments support operational resilience and compliance with regulatory requirements related to data protection and information security.

Strategy

The Bank continues to strengthen cybersecurity governance, operational resilience and third-party risk management frameworks to address evolving digital risks. Investments in digital infrastructure and ecosystem partnerships, including collaborations with mobile network operators, support efficient delivery of financial services to underserved customer segments.

Financial literacy and capacity-building initiatives are implemented to improve credit behaviour among borrowers and enhance the sustainability of retail and SME lending portfolios.

Anticipated financial effects

Over time, increased digital adoption and expanded financial inclusion are expected to support deposit mobilisation, diversify revenue streams and improve customer retention. Enhanced cybersecurity frameworks are expected to reduce operational and reputational risks while maintaining customer trust in the Bank's digital services.

Business ethics and ESG integration in lending

Risk and opportunity description

Business ethics are critical to maintaining regulatory compliance and protecting the Bank's reputation. Weak governance, fraud, misconduct or inadequate ESG assessment in lending decisions may expose the Bank to financial losses, regulatory sanctions or reputational damage.

Conversely, strengthening governance practices and integrating ESG considerations into credit risk assessments presents an opportunity to enhance risk management, improve transparency and support access to sustainable finance markets.

Current financial effects

The Bank maintains governance frameworks, compliance monitoring processes and internal control systems designed to mitigate misconduct and regulatory risks. ESG considerations are increasingly incorporated into credit risk assessment processes, influencing lending decisions and sector exposure monitoring.

Strategy

The Bank continues to strengthen governance frameworks, ethical standards and compliance oversight across its operations. ESG integration within credit policies and lending decisions supports improved risk identification and responsible capital allocation.

Diversity and inclusion initiatives are also promoted as part of the Bank's workforce strategy to strengthen innovation, employee engagement and leadership capacity.

Anticipated financial effects

Over the long term, enhanced governance and ESG integration are expected to improve risk-adjusted returns, reduce exposure to regulatory and reputational risks, and strengthen stakeholder confidence. These measures support sustainable portfolio growth and reinforce the Bank's resilience in a changing regulatory and economic environment.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

3.0 Strategy (Continued)

Capital deployment

Risk and opportunity description

Effective capital allocation toward sustainability initiatives is necessary to support the Bank's strategic objectives and manage sustainability-related risks. Ineffective deployment of resources toward ESG initiatives may delay progress in strengthening risk management capabilities and operational resilience.

However, strategic investment in sustainability-aligned infrastructure and operational efficiency initiatives presents opportunities to improve long-term competitiveness and cost efficiency.

Current financial effects

The Bank allocates 1% of profit before tax annually to support ESG-related initiatives and sustainability programs. In addition, investments have been made in operational improvements, including energy-efficient infrastructure within the Bank's headquarters.

Strategy

The Bank directs capital toward strengthening ESG data systems, risk management frameworks and operational efficiency initiatives. Investments in energy-efficient infrastructure and workplace modernisation support reduced energy consumption and improved employee productivity.

Anticipated financial effects

Over time, these initiatives are expected to enhance operational efficiency, reduce exposure to energy cost volatility and strengthen the Bank's long-term financial resilience. Strategic ESG investments are also expected to support sustainable growth and improve alignment with regulatory and stakeholder expectations.

Resilience

The Bank integrates sustainability-related risks and opportunities into its overall strategy, risk management, and decision-making processes. Climate-related physical and transition risks are considered within the enterprise risk management framework, particularly for sectors sensitive to environmental and regulatory changes.

During the reporting period, the Bank conducted an initial qualitative assessment of sustainability-related risks across different time horizons. As this is the first year of applying the sustainability disclosure requirements, detailed scenario analysis has not yet been undertaken; however, the Bank intends to strengthen its analytical capabilities and disclosures in future reporting periods.

4.0 Risk management

Sustainability-related risks and opportunities, including climate-related risks, are managed through the Bank's Enterprise Risk Management Framework (ERMF). The framework, which is aligned with the COSO Enterprise Risk Management approach, enables the Bank to identify, assess, manage and monitor risks that may affect the achievement of its strategic objectives.

Climate and other sustainability-related risks are considered as part of the Bank's broader risk identification and assessment processes. These risks are evaluated using the same methodologies applied across the Bank's enterprise risk management framework, including the assessment of likelihood and impact, risk prioritisation using the Bank's risk matrix, and ongoing monitoring through risk reporting mechanisms. Oversight is provided through established governance structures, including the Board Risk Committee and Management Risk Committee, while implementation is coordinated by the Risk and Compliance function in collaboration with relevant business units.

The Bank continues to enhance the integration of sustainability considerations within its risk management processes as part of its ongoing sustainability reporting and risk management development.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

4.0 Risk management (Continued)

Sustainability Risk Management Process

STEP 1. Risk identification	STEP 2. Assessment and Prioritisation
Sustainability and climate-related risks are identified through the Bank's enterprise risk identification process, which considers internal operations, financed activities, regulatory developments and stakeholder expectations.	Identified risks are assessed using the Bank's risk rating methodology based on likelihood and impact. Risks are prioritised using the Bank's risk matrix and aligned with the Bank's risk appetite framework.
STEP 3. Management and Mitigation	**STEP 4. Monitoring and Reporting**
Management develops risk responses, including mitigation, avoidance, transfer or acceptance, supported by relevant policies such as the Climate Risk Management Policy and ESG Risk Management Policy.	Key Risk Indicators (KRIs) and periodic risk reports are used to monitor sustainability-related risks. Risk information is reported to Senior Management and the Board through established governance structures.

Integration with Enterprise Risk Management

Sustainability-related risks, including climate risks, are integrated within the Bank's broader enterprise risk management framework and are subject to the same governance, monitoring and reporting processes applied to other material risks. As part of the Bank's ongoing sustainability reporting journey, processes for identifying and assessing sustainability-related risks will continue to evolve and be further embedded into strategic planning and risk management practices.

FY2025	FY2026	FY2027
FY2025: Integrated identification and assessment First year that SROs management capabilities were introduced into business activities and processes.	**FY2026:** Monitoring update Additional measures to enhance SROs monitoring will be developed.	**FY2027:** Full integration Sustainability-related risks will be quantified and fully integrated into the ERMF and Further opportunities will be explored from the risks identified.

Timeline showing integration of sustainability related risks with ERM.

5.0 Metrics and targets

The Bank monitors sustainability-related risks and opportunities through a set of environmental, social and governance (ESG) metrics aligned with the Bank's Environmental & Social Risk Policy and risk management framework.

Net Zero is the internationally agreed-upon goal to limit global warming to 1.5°C above pre-industrial levels, as outlined in the Paris Agreement. This means balancing the amount of greenhouse gases (GHGs) emitted into the atmosphere with an equivalent amount removed, ultimately halting further warming. The metrics disclosed below reflect the sustainability-related risks and opportunities considered material to the Bank's operations, including financial inclusion, climate-related risks, operational emissions, data security and workforce diversity.

Metrics are monitored by designated owners within management and reported to senior management periodically. Unless otherwise indicated, the reporting year 2025 represents the baseline year for tracking future targets and performance trends.

(a) Climate-related Metrics and Targets

The Bank monitors climate-related risks through portfolio exposure analysis, sector risk classification, and environmental and social (E&S) risk assessment processes. Climate risks are categorized into physical risks and transition risks, reflecting their potential impact on borrower performance, collateral values, and portfolio credit quality.

The Bank's Environmental and Social Risk Rating (ESRR) framework is integrated into credit assessment processes to identify and manage exposures to climate-sensitive sectors and activities. Portfolio monitoring is supported through sector classification, enhanced due diligence for higher-risk exposures, and ongoing monitoring of climate-sensitive industries.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

5.0 Metrics and targets (Continued)

(a) Climate-related Metrics and Targets (Continued)

Climate Physical Risk Metrics

Climate physical risks stem from severe weather events, including floods, storms, and droughts, which can disrupt borrower operations, reduce asset values, and weaken the Bank's collateral coverage. These risks are particularly significant for sectors such as agriculture, construction, tourism, transport, and real estate, where extreme weather may damage infrastructure or impair production and repayment capacity.

In line with IFRS S2, the Bank monitors these risks using quantitative metrics that provide insight into potential financial impacts. These include:

- Percentage of assets exposed to high climate-risk zones, indicating the portion of the loan portfolio vulnerable to acute physical risks; and
- Climate-linked non-performing loans (NPLs) and impairments, reflecting losses or expected credit impairments directly attributable to climate-related events.

The Bank's exposure analysis is conducted through sector classifications and Environmental and Social Risk Rating (ESRR) assessments, which are integrated into its credit risk management framework to ensure consistent identification, monitoring, and disclosure of climate-related financial risks.

The following is the summary on climate physical risks 2025 performance, targets and monitoring.

Metric	2025 Performance	Target	Monitoring
Exposure to flood-sensitive sectors	16.37% of portfolio	Monitor and manage through sector risk limits	Quarterly
Exposure to storm / cyclone-sensitive sectors	15.30% of portfolio	Ongoing monitoring	Quarterly
Total Portfolio exposed to high climate-risk sectors	32.87% of portfolio (TZS 216.7 billion)	Maintain controlled exposure within risk appetite	Quarterly

During the reporting period, no climate-related impairments were recorded. The Bank remains committed to maintaining low impairment levels and will continue monitoring this indicator on an annual basis. The Bank monitors potential transmission channels including borrower cash-flow shocks, collateral impairment, and operational disruptions in climate-sensitive regions.

Climate Transition Risk Exposure

Transition risks arise from the global shift toward a lower-carbon economy, including changes in environmental regulation, carbon pricing, technological innovation, and evolving market preferences. These developments may affect the financial performance of borrowers operating in carbon-intensive sectors.

To assess these risks, the Bank monitors lending exposures to sectors with elevated transition risk profiles and applies its Environmental and Social Risk Rating (ESRR) framework to identify higher-risk exposures requiring enhanced due diligence.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

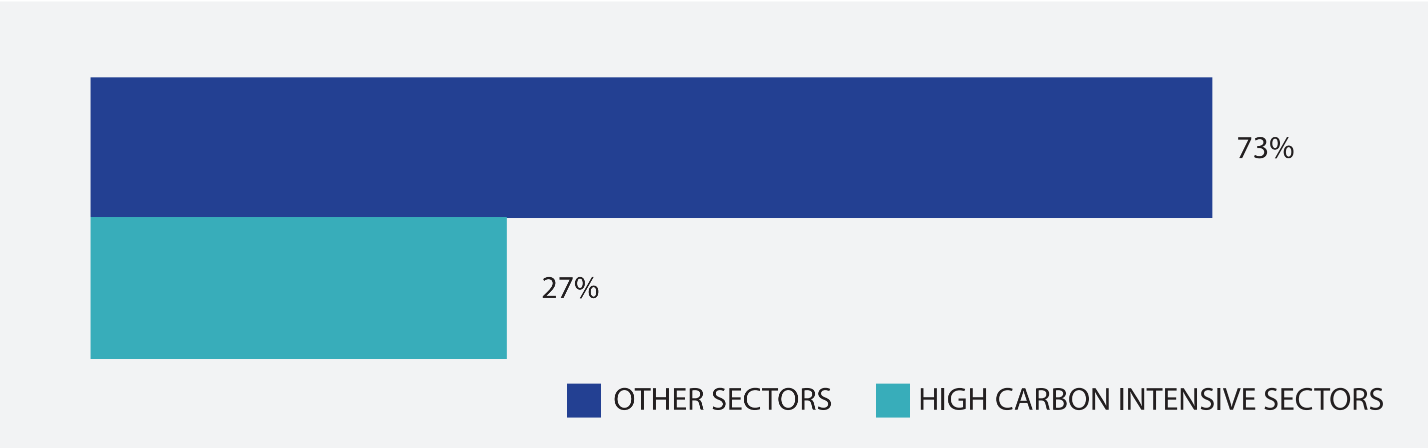
27. Sustainability and ESG information (Continued)

5.0 Metrics and targets (Continued)

(a) Climate-related Metrics and Targets (Continued)

Key Sectors and Exposure

High carbon-intensive sectors including Oil & Gas, Manufacturing, and Transport represent 26.69% of the Bank's total portfolio (TZS 176 billion). These sectors may face profitability compression due to evolving policy, regulatory, and market conditions. Other sectors exposed include construction and agriculture, where regulatory and market transitions may affect operational costs and repayment capacity.



Graph showing the percentage of high carbon sensitive sectors in the Bank's portfolio

Transition risks arise from multiple factors, including carbon taxation, emission standards, and green lending mandates. Carbon taxation increases borrower operating costs, while emission standards create capital expenditure pressures for compliance. Green lending mandates drive portfolio rebalancing requirements. Technological and market shifts also influence risk, with renewable energy adoption potentially leading to stranded fossil-fuel assets, electrification of transport reducing the value of legacy assets, and energy-efficient production requiring capital restructuring.

By integrating these metrics and risk drivers into its credit and ESG risk frameworks, the Bank systematically monitors, assesses, and mitigates transition-related financial risks. This approach ensures that the Bank's disclosure and management of climate-related risks remain aligned with IFRS S2 requirements, providing transparency on potential financial impacts and supporting informed decision-making.

(b) Green Lending

The Bank recognizes green lending as a key opportunity to support the transition to a low-carbon economy while mitigating exposure to high carbon-intensive sectors. Green lending activities include financing renewable energy projects and climate-smart initiatives, providing both environmental and financial benefits.

As of 31 December 2025, the total value of renewable and climate-smart loans amounts to TZS 14,910 million, tracked through the Bank's loan classification system and aligned to an internal green taxonomy. The Bank also monitors the number of borrowers adopting low-carbon technologies, the estimated greenhouse gas (tCO_2e) reductions from financed projects, and the megawatts of renewable energy financed, alongside the share of the Bank's portfolio.represented by these projects. While some of these metrics are currently pending formalization particularly project-level emission reductions, the Bank is working on establishing systems for quarterly monitoring and portfolio aggregation to track progress against sustainability goals.

By highlighting green lending opportunities separately, the Bank demonstrates how it actively supports the low-carbon transition while creating measurable environmental impact.

(c) GHG Emissions

In line with IFRS S2, the Bank measures greenhouse gas (GHG) emissions using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (2004), applying the operational control approach. This approach captures emissions from activities directly controlled by the Bank, including branches, offices, and owned vehicles, while distinguishing them from activities in the value chain over which the Bank has influence but no direct operational control.

Emissions are reported on a gross basis (without offsets). The Bank conducts monthly assessments of energy, fuel, and paper consumption and reports annually to track progress, manage sustainability-related risks, and identify operational efficiency opportunities.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

5.0 Metrics and targets (Continued)

(a) Climate-related Metrics and Targets (Continued)

Climate Transition Risk Exposure (Continued)

(c) GHG Emissions (Continued)

Emissions are categorized as follows:
The Bank's current reporting focuses primarily on operational emissions related to fuel consumption and purchased electricity. Other emissions sources across the value chain have not yet been included in the reporting boundary.

- Scope 1 – Direct emissions: Emissions from sources that the Bank directly controls, including fuel consumption in generators and owned vehicles.
- Scope 2 – Indirect emissions: Emissions associated with purchased electricity used in Bank operations, calculated using the location-based method.
- Scope 3 – Other indirect emissions: Emissions from the Bank's value chain (e.g., financed emissions, supply chain). These are not included in the current reporting year in line with IFRS S2 transitional relief.

Emissions are reported on a gross basis (without offsets) in the units of measurement most relevant to operational tracking (litres of fuel, kWh of electricity, reams of paper).

Scope / Area	Activity	FY 2025 Data	FY 2026 Target	Methodology
Scope 1 – Direct emissions	Fuel consumption (vehicles and generators)	18,540 litres	5% reduction	Fuel consumption × IPCC emission factors
Scope 2 – Indirect emissions	Electricity consumption (Head Office)	271,061.10 kWh	5% reduction	Electricity consumption × DEFRA grid emission factors

Table showing Operational Activity Data.

Greenhouse gas emissions were calculated by applying recognized emission factors to operational activity data. Emissions were estimated by multiplying the quantity of fuel or electricity consumed by the relevant emission factor and converting the resulting value from kilograms of CO_2 equivalent to tonnes of CO_2 equivalent (tCO_2e).

Scope	Emission Source	Activity Data	Emission Factor	FY2025 Emissions (tCO_2e)
Scope 1 – Direct emissions	Fuel consumption (vehicles and generators)	18,540 litres	2.68 kg CO_2 / litre (IPCC)	**49.7**
Scope 2 – Indirect emissions	Electricity consumption (Head Office)	271,061.10 kWh	0.233 kg CO_2 / kWh (DEFRA)	**63.2**
Total Emissions				**112.9 tCO_2e**

This is the Bank's first year reporting under IFRS S1 and IFRS S2, and transitional relief permitted under the standards has been applied. Accordingly, Scope 3 emissions (value chain emissions) are not disclosed in the current reporting period. Comparative information for prior periods has also not been presented, as allowed under IFRS S2 transitional guidance. Certain emissions data are based on activity-level proxies, including fuel consumption in litres and electricity usage derived from utility invoices, and these measurements may be further refined as the Bank strengthens its emissions data management and reporting systems. In addition, the reduction targets for energy consumption (5%) and paper usage (9%) represent planned operational improvement objectives and may be adjusted in future periods as methodologies, data availability, and operational practices evolve.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

5.0 Metrics and targets (Continued)

(d) Data security

The Bank monitors information security and customer data protection through operational risk indicators designed to detect and prevent cyber incidents.

Metric	2025 Baseline	Target	Monitoring
Number of data breaches	0	Maintain zero breaches	Quarterly
Breaches involving personal data	0%	Maintain zero incidents	Quarterly
Account holders affected	0	Maintain zero impact incidents	Quarterly
Data security risk management	Information Security Framework implemented	Continuous improvement	Annual

The Bank maintains an Information Security Framework that governs cyber-security controls, incident management procedures, and technology risk oversight. Incident registers and IT control testing are used to monitor potential breaches and ensure timely remediation.

(e) Financial Inclusion & Capacity Building

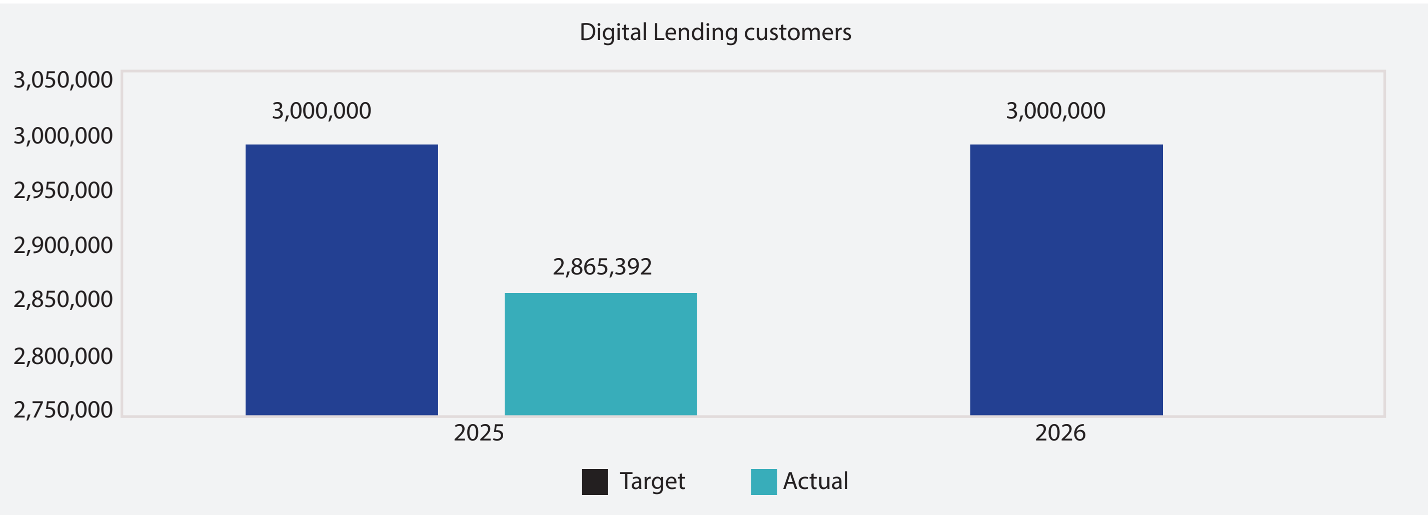
Financial inclusion is a core component of the Bank's sustainability strategy. The Bank supports underserved communities through SME financing, digital lending platforms, and financial literacy initiatives, with a particular focus on women and micro-entrepreneurs.

A key driver of this strategy is the Bank's digital lending partnerships, including the Kamilisha project, launched in collaboration with Airtel Money. The service enables mobile money customers to complete transactions even when their wallet balance is insufficient by accessing small overdraft facilities directly through their mobile phones. This initiative improves financial accessibility by allowing users to perform essential transactions such as person-to-person transfers, airtime purchases, data bundle purchases, and utility payments among other initiatives.

Through these digital channels, the Bank continues to expand access to short-term credit solutions for individuals who may not traditionally access formal banking services.

Metric	2025 Performance	Target	Monitoring
SME/community loans	3 loans valued at TZS 8,888 million	Increase annually	Quarterly
SME/community NPL ratio	0%	Maintain below portfolio average	Quarterly
No-cost accounts for previously unbanked customers	105 accounts (2.3% of new accounts)	Expand outreach	Monthly
Financial literacy participants	60 women trained	240 women annually	Annual

Another key Metric is Number of Customers and Value of lending under Digital Lending, See summary of the current year data and targets.



Graph showing number of Customers under digital lending

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. Sustainability and ESG information (Continued)

5.0 Metrics and targets (Continued)

(e) Financial Inclusion & Capacity Building

Digital lending disbursements reached TZS 301,104 million in 2025, exceeding the target of TZS 219,428 million for the year 2025, The bank has a set target of TZS 328,707 million digital lending disbursements in 2026 reflecting strong customer uptake of the Bank's mobile-based lending products. The Bank aims to further expand the digital lending portfolio in the coming years, with performance monitored monthly through system-generated lending analytics.

(f) Diversity and inclusion

The Bank prioritizes Diversity and Inclusion (D&I) to drive innovation, employee engagement, and long-term performance. Key risks include talent gaps, underrepresentation in leadership, and potential engagement declines. Opportunities include becoming an employer of choice and strengthening workforce resilience. Progress is monitored through key metrics, with annual targets aligned to strategic objectives.

The following table summarizes the Bank's key D&I metrics, including FY 2025 targets and actuals, alongside FY 2026 targets. These metrics provide a clear view of workforce composition, gender equity, leadership diversity, engagement, and workplace inclusivity.

Metric	FY 2025 Target	FY 2025 Actual	FY 2026 Target	Unit	Methodology
Female-to-Male Employee Ratio	50%	47%	50%	Ratio	HR headcount analysis
Gender Pay Gap	0%	8%	0%	%	Payroll comparison
Women in Managerial Positions	55%	49%	50%	%	Role classification analysis
Employee Engagement Score	78%	80%	80%	Score	Structured engagement survey
Reports of Discrimination/Harassment	0	0	0	Number	HR incident log

The Bank's Diversity & Inclusion initiatives form a core component of its sustainability and human capital strategy. By tracking workforce composition, leadership representation, gender pay equity, engagement, and workplace inclusivity, the Bank ensures that D&I objectives are embedded into decision-making and risk management. The disclosed metrics provide a transparent view of progress and highlight areas where strategic interventions may be required.

g) Business Ethics

The Bank is committed to maintaining the highest standards of business ethics, integrity, and compliance across all operations. Key focus areas include preventing fraud, anti-money laundering, and misconduct, as well as promoting transparency through robust whistleblower policies.

The Bank monitors business ethics through quantitative and qualitative metrics. Monetary losses from legal proceedings related to fraud, AML breaches, or misconduct are tracked, with zero losses for the year ended 31 December 2025 and a target of maintaining that. Whistleblower policies and procedures are regularly reviewed and confirmed to ensure accessibility, effectiveness, and alignment with regulatory requirements.

These measures provide assurance that ethical standards are upheld, risks are managed proactively, and the Bank's operations remain consistent with its governance and sustainability commitments.

(h) ESG Integration in Credit Analysis

The Bank incorporates Environmental, Social, and Governance (ESG) factors directly into its credit analysis to manage sustainability-related risks and align lending practices with its Environmental and Social Risk Policy. ESG considerations influence credit approvals, pricing, covenants, monitoring, and escalation decisions, ensuring that potential environmental or social risks are factored into lending outcomes.

The Bank applies the Environmental and Social Risk Rating (ESRR) / ESG Tool, a quantitative scoring model calibrated into Category A, B, and C obligors, at the credit appraisal stage. Category-A obligors represent the highest ESG risk exposures and are subject to enhanced scrutiny and monitoring. This ESG integration is documented in the Environmental & Social Risk Policy, applied systematically across all lending portfolios, and reviewed annually by the Head of Risk & Compliance. As at reporting date, four obligors are classified as High ESG Risk (Category A), representing TZS 23.80 billion, equivalent to 4% of total portfolio exposure.

By embedding ESG considerations into credit assessment, the Bank ensures that lending decisions account for climate, social, and governance risks, thereby safeguarding portfolio quality and supporting the Bank's sustainability objectives in line with SASB industry-specific standards for commercial banks.

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

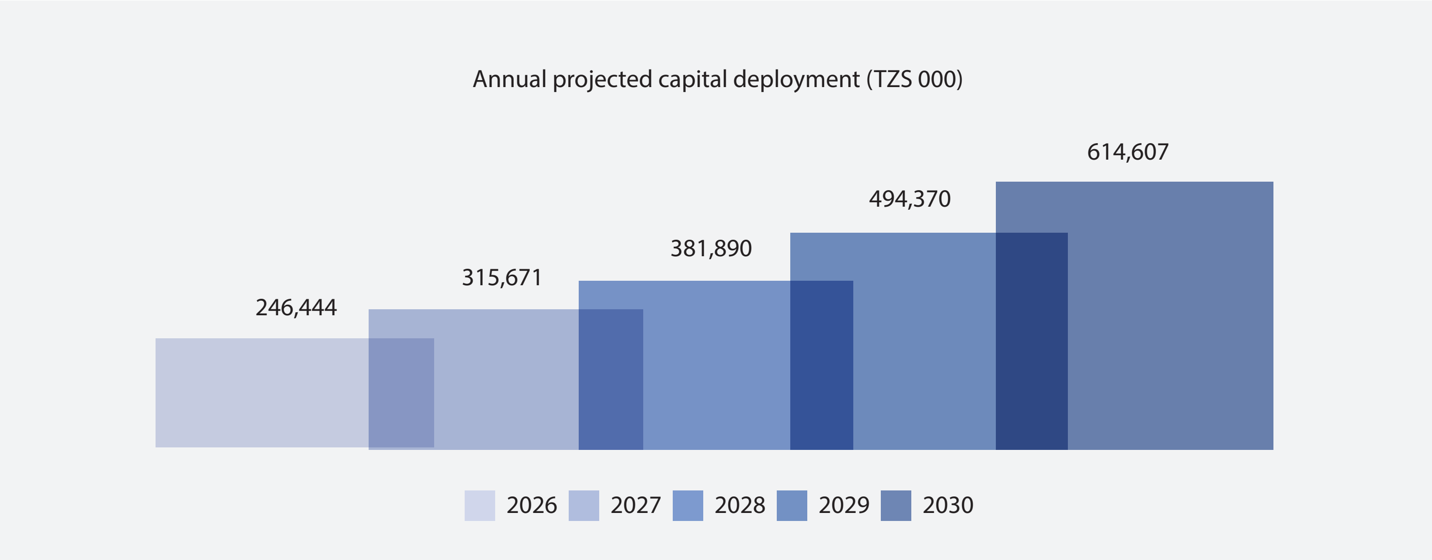
27. Sustainability and ESG information (Continued)

5.0 Metrics and targets (Continued)

(i) Capital Deployment

The Bank allocates dedicated capital to address climate-related risks and opportunities, ensuring alignment with its Environmental & Social Risk Policy and supporting its broader sustainability strategy. Capital deployment is relevant for both mitigating climate-related financial risks and enabling investments in green and low-carbon initiatives, including renewable energy and climate-smart projects.

In line with this approach, the Bank has committed 1% of its Profit Before Tax (PBT) annually toward Environmental, Social, and Governance initiatives. This allocation is aggregated across green lending and climate-related expenditure and is monitored and reported by the Chief Financial Officer on an annual basis.



Graph based on projected PBT figures, the Bank estimates the following capital deployment over the next five years (TZS '000)

These figures reflect the Bank's forward-looking commitment to financing climate-related opportunities and strengthening resilience against climate risks. The methodology for tracking capital deployment relies on aggregation of green lending exposures and climate-related expenditure, consistent with the Bank's internal classification system and sustainability reporting frameworks.

28. Serious prejudicial matters

In the opinion of the Directors, there are no serious unfavorable matters that can affect the Bank (2024: None).

29. Statement of compliance

As required by TFRS 1, Directors of the Bank confirm compliance with the provisions of this Standard and all other statutory legislation relevant to the entity.

30. Auditor

The auditor, KPMG, have expressed their willingness to continue in office and are eligible for re-appointment. Their appointment for the year 2026 will be approved in the next Annual General Meeting.

Name: Mr. Madabhushi Soundararajan **Title: Chairman** **Signature:** **Date:** 31/03/2026

Name: Mr. Zahid Mustafa **Title: Managing Director** **Signature:** **Date:** 31/03/2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, No. 12 of 2002 requires 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 for the year. 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 and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS accounting standards and the requirements of the Companies Act, No. 12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit for the year in accordance with IFRS Accounting Standards. 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 whether due to fraud or error.

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 the financial statements.

Signed on behalf of the Board of Directors by:

Name: Mr. Madabhushi Soundararajan **Title: Chairman** **Signature:** **Date:** 31/03/2026

Name: Mr. Zahid Mustafa **Title: Managing Director** **Signature:** **Date:** 31/03/2026

DECLARATION OF THE HEAD OF FINANCE

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 entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards 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, ACPA Veronica Pascal Magongo, being the Head of Finance of I&M Bank (T) Limited, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2025 have been prepared in compliance with applicable IFRS Accounting Standards and statutory requirements.

I, thus confirm that the financial statements comply with applicable accounting standards and statutory requirement as on that date and that they have been prepared based on properly maintained financial records.

Signed by: ....

Veronica P. Magongo

Position: Head of Finance

NBAA Membership No.: ACPA 2026

Date: 31/03/2026

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF I&M BANK (T) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of I&M Bank (T) Limited ("the Bank") set out on pages 88 to 177, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

Basis for opinion

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

Key audit matters

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

Valuation of Impairment loss on loans and advances to customers – Refer to the below notes

-Note 3 (f) (iii) Financial assets and liabilities -Impairment

-Note 4 (a) Financial Risk Management -Credit risk

-Note 5 Use of Estimates and Judgment -Allowance for credit losses

-Note 17 Loans and Advances to Customers to the financial statements.

Key audit matter	How the matter was addressed in our audit
The gross loans and advances to customers amounted to TZS 559.7 billion and the total expected credit loss amounted to TZS 31.8 billion as at 31 December 2025. Measurement of impairment losses on loans and advances to customers is a key audit matter as the determination of expected credit losses (ECL) is highly subjective as it involves significant levels of judgement applied by management. The key areas where we identified significant levels of management judgement and therefore increased levels of audit focus on the Bank's impairment charge on loans and advances to customers are: • Quantitative criteria i.e. use of days past due and qualitative criteria such as extension to the terms granted, significant adverse changes in business, financial and/or economic conditions in which the borrower operates used in determining criteria for Significant Increase in Credit Risk (SICR) and default which guides classification of loans and advances to customers into stages 1, 2 or 3; • Choice of appropriate models and assumptions for the determination of probabilities of default (PD), exposures at default (EAD) and loss given default (LGD) and ultimately measurement of Expected Credit Losses ("ECL");	Our audit procedures in this area, included: • Obtained an understanding of the credit management processes and performing end-to-end process assessments to identify the key controls used in the determination of ECL. This included evaluating the design and implementation and operating effectiveness of the management review controls over the ECL including approval of external collateral valuation vendors and controls over the approval of impairment. • Obtained key data inputs impacting ECL calculations such as collateral values, current loan data, historical quarterly loan outstanding balances and repayments data, tested the completeness of the data and inspected supporting documents to test accuracy of the data on a sample basis. • Evaluated the reasonableness of management's key judgements in estimating ECL specific attention being on the key assumptions used in the model which are realisation period and loans grading. These included judgements made by management on segmentation of realisation period based on the nature of collaterals and the judgements on qualitative factors used to support the loans and advances grading.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF I&M BANK (T) LIMITED (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Valuation of Impairment loss on loans and advances to customers – Refer to the below notes

-Note 3 (f) (iii) Financial assets and liabilities -Impairment

-Note 4 (a) Financial Risk Management -Credit risk

-Note 5 Use of Estimates and Judgment -Allowance for credit losses

-Note 17 Loans and Advances to Customers to the financial statements (Continued)

Key audit matter (Continued)	How the matter was addressed in our audit (Continued)
• Establishing the various macroeconomic variables as well as weightings applied to the forward-looking scenarios for each type of product/market and the associated impact on ECL; • Estimation of collateral realisation period for the purpose of estimating cash flows for secured facilities which are used in the determination of loss given default; and Determination of collateral values which are used in the ECL calculation.	• Involved our internal financial risk management specialists to inspect the probability of default (PD), loss given default (LGD) and forward-looking information (FLI) models. This include assessing the soundness of the models and assessing appropriateness of the Bank's methodology for determining the economic scenarios such as the base case or worst case used as well as the overall reasonableness of the economic forecasts by recalculating the macroeconomic factors such as the inflation rate, Gross Domestic Product ("GDP") using the methods applied by management and assessed the source data. • Evaluated management model for establishing Stage 3 impairment amounts by challenging reasonability of management assumptions such as realisation period to conclude on reasonability of assumptions applied. This included performing an independent assessment of the realisation period using historical data and comparing with the period used in the model; • On a sample basis evaluated the appropriateness of the bank's Significant Increase in Credit Risk ("SICR") determination by assessing the qualitative factors such as extension to the terms granted, significant adverse changes in business, financial and/or economic conditions in which the borrower operates and quantitative factors such as days past due used by management in their evaluation of the classification into stages 1, 2 and 3 and how credit risk is monitored;
	• On sample basis, performed substantive procedures on the reasonability of the valuation of the collateral used in the ECL model. This included inspection of the current loan book collateral valuation reports and inspection of sales supporting documents for historically sold collaterals and compare with the values which were in the respective valuation reports. • Evaluated the adequacy of financial statements disclosures in accordance with the requirements of IFRS 7, Financial Instruments: Disclosures, including disclosures of key assumptions and judgements relating to ECL.

Emphasis of matter – Comparative Information

We draw attention to note 37 to the financial statements which indicates that the comparative information presented for the year ended 31 December 2024 with respect to the statement of cash flows has been restated. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF I&M BANK (T) LIMITED(CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Other Matter Relating to Comparative Information

The financial statements of the Bank for the year ended 31 December 2024, excluding the adjustments described in note 37 to the financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2025.

As part of our audit of the financial statements as at and for the year ended 31 December 2025, we audited the adjustments described in note 37 to the financial statements that were applied to restate the comparative information presented as at and for the year ended 31 December 2024.

We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2024, other than with respect to the adjustments described in note 37 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole. However, in our opinion, the adjustments described in note 37 to the financial statements are appropriate and have been properly applied.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the I&M Bank (T) Limited Annual Report and Financial Statements for the Year ended 31 December 2025 but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF I&M BANK (T) LIMITED(CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

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

As required by Banking and Financial Institutions Act, 2006 and its regulations, we report to you solely based on our audit of financial statements, that:

Nothing has come to our attention that causes us to believe that the Bank has not complied with the Banking and Financial Institutions Act, 2006 and its regulations including computation of its capital position.

KPMG
Certified Public Accountants (T)

Vonjala

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

Date: 31 March 2026

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 TZS '000	2024 TZS '000
Interest income calculated using the effective interest method	7	122,887,699	97,877,323
Interest expense	8	(36,037,504)	(31,155,661)
Net interest income		**86,850,195**	**66,721,662**
Fee and commission income	9	8,583,049	7,635,417
Fee and commission expense	9	(81,708)	(34,358)
Net fee and commission income		**8,501,341**	**7,601,059**
Revenue		**95,351,536**	**74,322,721**
Net trading income	10	8,437,266	7,736,463
Net income arising from derecognition of financial assets measured at FVOCI		-	33,811
Net change in fair value of financial assets measured at FVTPL		198,524	11,220
Other operating income	11	14,514,904	6,993,130
Dividend income	12	10,310	22,556
Net operating income before change in expected credit losses and other credit impairment charges		**118,512,540**	**89,119,901**
Net impairment charge on loans and advances	17(c)	(31,418,751)	(21,875,943)
Net operating income		**87,093,789**	**67,243,958**
Staff costs	13	(20,056,849)	(16,892,625)
Premises and equipment costs	13	(975,994)	(1,195,087)
General administrative expenses	13	(39,398,479)	(26,381,930)
Depreciation and amortisation	13	(4,518,150)	(4,471,165)
Operating expenses		**(64,949,472)**	**(48,940,807)**
Profit before tax		**22,144,317**	**18,303,151**
Income tax charge	14(a)	(2,082,947)	(3,139,461)
Profit for the year after tax		**20,061,370**	**15,163,690**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Fair value loss arising during the year		-	(6,061)
Gain on government securities-FVOCI reclassified to P&L		-	(16,430)
Tax thereon		-	6,747
Total other comprehensive income for the year	**29(d)**	**-**	**(15,744)**
Total comprehensive income for the year		**20,061,370**	**15,147,946**

The notes set out on pages 93 to 177 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Note	2025 TZS '000	2024 TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	15	101,058,884	86,527,215
Loans and advances to banks	16	104,872,525	61,038,155
Loans and advances to customers	17	527,976,059	435,023,035
Due from group companies	33	9,828,215	7,730,343
Investment in government securities:			
- At amortised cost	18(a)	148,543,604	165,676,022
- At FVTPL	18(b)	-	1,688,839
Equity investment at FVOCI	19	1,013,750	1,013,750
Tax recoverable	14(c)	4,208,087	2,461,684
Property and equipment	20	15,824,945	13,715,097
Intangible assets - software	21	4,478,523	3,136,665
Deferred tax asset	22	13,615,849	12,562,103
Other assets	23	22,543,969	13,391,814
TOTAL ASSETS		**953,964,410**	**803,964,722**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	24	64,844,761	57,529,859
Deposits from customers	25	610,184,295	548,921,860
Due to group companies	33	82,915,005	50,862,574
Lease liabilities	35	9,560,450	7,052,665
Provisions	26	879,990	879,990
Other liabilities	27	15,793,556	15,687,795
Long term debt	28	16,171,180	3,276,176
		800,349,237	**684,210,919**
Shareholders' equity			
Share capital	29(b)	37,754,016	23,954,016
Share premium	29(b)	31,528,228	31,528,228
Retained earnings		84,062,925	56,143,597
Statutory reserve	29 (c)	-	7,857,958
Fair value reserve	29 (d)	270,004	270,004
		153,615,173	**119,753,803**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**953,964,410**	**803,964,722**

The financial statements set out on pages 88 to 177 were approved and authorised for issue by the Board of Directors on 31/03/2026 and were signed by:

Name: Mr. Madabhushi Soundararajan **Title: Chairman** **Signature**

Name: Mr. Zahid Mustafa **Title: Managing Director** **Signature**

The notes set out on pages 93 to 177 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

2025:	Share capital TZS '000	Share premium TZS '000	Retained earnings TZS '000	Statutory reserve TZS '000	Fair value reserve TZS '000	Total TZS '000
At 1 January 2025	23,954,016	31,528,228	56,143,597	7,857,958	270,004	119,753,803
Total comprehensive income for the year						
Profit for the year after tax	-	-	20,061,370	-	-	20,061,370
	-	**-**	**20,061,370**	**-**	**-**	**20,061,370**
Other comprehensive income						
Statutory reserve	-	-	7,857,958	(7,857,958)	-	-
Total other comprehensive income	**-**	**-**	**7,857,958**	**(7,857,958)**	**-**	**-**
Less: Tax thereon						
Other Comprehensive income , net of tax						
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income and other movements	**-**	**-**	**7,857,958**	**(7,857,958)**	**-**	**-**
Transactions with owners recorded directly in equity						
Rights issue	13,800,000	-	-	-	-	13,800,000
Total transactions with owners for the year	**13,800,000**	**-**	**-**	**-**	**-**	**13,800,000**
Balance as at 31 December 2025	**37,754,016**	**31,528,228**	**84,062,925**	**-**	**270,004**	**153,615,173**

The notes set out on pages 93 to 177 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

2024:	Share capital TZS '000	Share premium TZS '000	Retained earnings TZS '000	Statutory reserve TZS '000	Fair value reserve TZS '000	Total TZS '000
At 1 January 2024	23,954,016	31,528,228	27,152,132	21,685,733	285,748	104,605,857
Total comprehensive income for the year						
Profit for the year after tax	-	-	15,163,690	-	-	15,163,690
	-	-	**15,163,690**	-	-	**15,163,690**
Other movements						
Statutory reserve			13,827,775	(13,827,775)	-	-
FVOCI revaluation loss-on debt instruments	-	-	-	-	(6,061)	(6,061)
Profit or loss on sale	-	-	-	-	(16,430)	(16,430)
Total other comprehensive income	-	-	**13,827,775**	**(13,827,775)**	**(22,491)**	**(22,491)**
Less: Tax thereon	-	-	-	-	6,747	**6,747**
Other Comprehensive income , net of tax	-	-	**13,827,775**	**(13,827,775)**	**(15,744)**	**(15,744)**
Total other comprehensive income	-	-	**13,827,775**	**(13,827,775)**	**(15,744)**	**(15,744)**
Total comprehensive income and other movements	-	-	**28,991,465**	**(13,827,775)**	**(15,744)**	**15,147,946**
Transactions with owners recorded directly in equity	-	-	-	-	--	-
Total transactions with owners for the year	-	-	-	-	-	-
Balance as at 31 December 2024	**23,954,016**	**31,528,228**	**56,143,597**	**7,857,958**	**270,004**	**119,753,803**

The notes set out on pages 93 to 177 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 TZS '000	2024 Restated* TZS '000
Cash inflows generated from operating activities	30(a)	**(45,195,559)**	**2,050,258**
Tax paid	14(c)	(4,883,096)	(3,329,794)
Interest received**		119,816,809	99,221,699
Interest paid		(33,228,538)	(29,126,494)
Payment of interest portion of lease liabilities	35(ii)	(984,131)	(807,961)
Net cash flows generated from operating activities		**35,525,485**	**68,007,708**
Cash outflows from investing activities			
Purchase of property and equipment	20	(1,449,450)	(4,086,202)
Purchase of intangible assets	21	(2,239,409)	(1,478,461)
Proceeds from sale of property and equipment		9,507	-
Dividends received	12	10,310	22,556
Net cash generated used in investing activities		**(3,669,042)**	**(5,542,107)**
Cash inflows/(outflows) from financing activities			
Payment of lease liabilities	35(i)	(1,750,905)	(1,604,813)
Long term loans received	28	12,425,000	-
Proceeds from Issuance of Share Capital	29(b)	13,800,000	-
Net cash inflows/(outflows) to financing activities		**24,474,095**	**(1,604,813)**
Net increase in cash and cash equivalents		**56,330,538**	**60,860,788**
Cash and cash equivalents at start of the year	30(b)	**119,715,771**	**60,419,275**
Effect of movements on exchange rates on cash and cash equivalents held		(1,554,996)	(1,564,292)
Cash and cash equivalents at end of the year	30(b)	**174,491,313**	**119,715,771**

*Restatements done on prior year balances. Refer to Note 37 for further details.

** These items were previously included within working capital changes however, in the current year, they have been presented separately to achieve better presentation.

The notes set out on pages 93 to 177 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1. REPORTING ENTITY

I&M Bank (T) Limited ('the Bank') is a limited liability company incorporated and domiciled in Tanzania. The Bank's shares are not publicly traded. The address of its registered office and place of business is:

I&M House@1046,
Haile Selassie Road, Masaki,
PO Box 1509,
Dar es Salaam,
Tanzania.

The financial statements of I&M Bank (T) Limited for the year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Directors and were signed on their behalf as shown in the statement of financial position.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Bank's financial statements for the year 2025 have been prepared in accordance with IFRS Accounting Standards (IFRS) and in the manner required by the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 5.

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

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL). See Notes 3(f)(iii) and 5(a).

3. MATERIAL ACCOUNTING POLICY

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

(a) Foreign currency

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (CONTINUED)

(a) Foreign Currency (Continued)

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

(b) Revenue recognition

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

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

Gains and losses arising from changes in the fair value of FVOCI financial assets, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income. Interest revenue, credit impairment and dividends arising from FVOCI financial assets are also recognized in P&L. For debt securities the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss when the financial asset is derecognised or impaired.

(i) Net interest income

Effective interest rate and amortised cost

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

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

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

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

Amortised cost and gross carrying amount

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

Calculation of interest income and expense

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

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

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3(f)(iii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (CONTINUED)

(b) Revenue recognition (continued)

Presentation

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

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;

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

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

(ii) Net fee and commission income

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income – including account servicing fees and sales commissions – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

(iii) Revenue from Contracts with Customers

Revenue from contracts with customers comprises fee and commission income arising from services that fall within the scope of IFRS 15 **Revenue from Contracts with Customers**. The Bank recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

Revenue is recognised when (or as) control of services is transferred to the customer, based on the nature of the underlying performance obligation. The Bank's fee and commission income that falls within IFRS 15 includes transactionbased fees, account service fees, trade finance fees not integral to the effective interest rate, loanrelated administrative fees, and other customer service charges.

Revenue recognized at a point of time includes commission on telegraphic transfers and other international trade finance activities, commission and fees from banking operations, credit/debit card fees and commissions and other fees and commissions while only commission on letters of credit and guarantees is recognized over a period of time.

Revenue arising from contracts with customers under IFRS 15 for the year ended 31 December 2025 comprises:

	2025 TZS '000	2024 TZS '000
Fee and commission income	8,583,049	7,635,417
Fee and commission expense	(81,708)	(34,358)
Net fee & commission income	**8,501,341**	**7,601,059**

These amounts are presented in **Note 9 — Fee and Commission Income**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (CONTINUED)

(b) Revenue recognition (continued)

(iii) Revenue from Contracts with Customers (Continued)

Determination and Allocation of Transaction Price

Fees are generally based on publicly available tariffs. The Bank does not have significant financing components due to the shortterm nature of services. Where contracts contain multiple performance obligations, the transaction price is allocated based on standalone selling prices; however, most of the Bank's services contain a single obligation.

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

Net trading income comprises gains and losses arising from customerdriven foreign exchange transactions. It includes all fair value movements, interest and foreign exchange differences relating to these instruments.

Gains and losses arising from changes in the fair value of financial assets and financial liabilities at fair value through profit or loss are recognised in profit or loss in the period in which they arise.

Interest income and expense on financial instruments at fair value through profit or loss are recognised in profit or loss using the effective interest method.

(c) Other operating income

Other operating income includes income that does not fall under interest, fee and commission, or trading income. It covers items such as recoveries from previously written-off assets and gains from the disposal of property and equipment and is recognised in profit or loss in line with the applicable accounting requirements.

(d) Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of operating income.

(e) Income tax

(i) Income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax also includes any tax arising from dividends.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (CONTINUED)

(e) Income tax (Continued)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(f) Financial assets and financial liabilities

(i) Recognition and initial measurement

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

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

(ii) Classification

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (Continued)

(f) Financial assets and financial liabilities (Continued)

(ii) Classification (Continued)

Business model assessment (Continued)

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

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

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

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

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

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

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

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

Debt instruments measured at amortised cost

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (Continued)

(f) Financial assets and liabilities (continued)

(ii) Classification - continued

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship.

Changes in the fair value of the instrument are recognised in the Statement of Profit or Loss and Other Comprehensive Income as they arise. Upon derecognition, any cumulative gains or losses previously recognised in other comprehensive income are reclassified to the Statement of Profit or Loss and Other Comprehensive Income on an averagecost basis.

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

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

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

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

These instruments are measured at fair value in the Statement of Financial Position, with fair value changes recognized immediately in the Statement of Profit or Loss..

Debt instruments designated at FVTPL

Financial assets classified in this category are those that the Bank elects to designate at fair value through profit or loss upon initial recognition. This designation is irrevocable and is applied only when doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise

Financial assets designated at FVTPL are measured at fair value in the Statement of Financial Position, with all changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

The bank has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI and are not subsequently reclassified in the Statement of Profit or Loss and Other Comprehensive Income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal. Consequently, there is no review required for impairment. Dividends will normally be recognized in the Statement of Profit or Loss.

Financial liabilities

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

(iii) Impairment

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

- financial assets that are debt instruments (amortised cost and FVOCI) including loans and advances;
- financial guarantee contracts issued; and
- loan commitments issued.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (Continued)

(f) Financial assets and liabilities (continued)

(iii) Impairment - continued

No impairment loss is recognised on equity investments.

Expected credit losses (ECL) are measured using a threestage impairment model as required by IFRS 9. The Bank recognises 12month ECL for financial instruments where credit risk has not increased significantly since initial recognition (Stage 1), and lifetime ECL for creditimpaired or significantly deteriorated exposures (Stages 2 and 3).

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

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

Significant Increase in Credit Risk

The Bank's criteria for assessing a significant increase in credit risk are defined at the appropriate product or portfolio level and reflect the exposure's credit risk at origination. This assessment requires significant judgement and is performed using a combination of quantitative and qualitative indicators in accordance with IFRS 9. Quantitative indicators include relative changes in the lifetime probability of default and the application of the 30dayspastdue backstop. Qualitative indicators include borrowerspecific adverse developments identified through ongoing credit monitoring. While regulatory prudential classifications may be considered as supplementary information, they do not override or replace the IFRS 9 requirements. A significant increase in credit risk is deemed to have occurred when one or more of the Bank's significant increase in credit risk criteria are met.

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive);
- financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover. See also Note 5(a).

Restructured financial assets

When the terms of a financial asset are renegotiated, modified, or an existing financial asset is replaced with a new one due to the financial difficulties of the borrower, the Bank assesses whether the modification results in derecognition of the original asset (see Note 3(f)(v)). Expected credit losses (ECL) are measured as follows:

- If the expected restructuring does not result in derecognition, the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls of the existing asset. These revised cash flows are discounted using the original effective interest rate, in line with the modification accounting requirements of IFRS 9.
- If the expected restructuring results in derecognition of the existing asset, the expected fair value of the new financial asset is treated as the final cash flow of the existing asset at the date of derecognition. This amount is included in calculating the cash shortfalls of the existing financial asset, which are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (Continued)

(f) Financial assets and liabilities (continued)

(iii) Impairment – continued

Restructured financial assets (continued)

Credit-impaired financial assets

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

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

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

A loan that is overdue for 90 days or more is considered credit impaired. In addition, a loan that has been renegotiated due to a deterioration in the borrower's financial condition is usually considered to be credit-impaired unless there is evidence of significant improvement in the borrower's credit risk and no other indicators of impairment exist.

For creditimpaired financial assets, interest income is recognised using the effective interest rate applied to the amortised cost of the asset (i.e., the gross carrying amount net of the loss allowance), rather than the gross carrying amount. Interest income recognition reverts to the gross basis only when the asset is no longer creditimpaired and there is evidence of sustained recovery.

Government securities

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (Continued)

(f) Financial assets and liabilities (continued)

(iii) Impairment - continued

(iv) De-recognition

Financial assets

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

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

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

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

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

Financial liabilities

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

(v) Modifications of financial assets and financial liabilities

Financial assets

The Bank may renegotiate or otherwise modify the contractual terms of a financial asset for commercial or creditrelated reasons. When such a modification occurs, the Bank assesses whether the modification results in cash flows that are substantially different from those of the original financial asset. Cash flows are considered substantially different, and therefore result in derecognition of the original asset, when one or more of the following conditions are met:

- The net present value (NPV) of the modified cash flows (including fees paid or received) differs by 10% or more from the NPV of the remaining cash flows of the original asset, discounted using the asset's original effective interest rate (EIR);
- The modification changes the currency, introduces new optionality (such as conversion or prepayment features), or significantly alters the credit risk profile of the instrument;
- The modification results in a significant change in the timing or amount of contractual cash flows such that, in substance, the rights under the original contract have expired.

- Where the modification is assessed to be substantial:
- The original financial asset is derecognised, and
- A new financial asset is recognised at fair value, with the resulting gain or loss recognised in profit or loss under the impairment charge line for the current year.

3.

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

3. MATERIAL ACCOUNTING POLICY (Continued)

(f) Financial assets and liabilities (continued)

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

Financial assets (Continued)

Where the modification does not result in substantially different cash flows:
- The asset is not derecognised;
- The gross carrying amount is recalculated as the present value of the modified cash flows discounted at the original EIR; and

The resulting modification gain or loss is recognised immediately in profit or loss.

The impact of modifications of financial assets on the expected credit loss calculation is discussed in Note 4 (a) (iii).

Financial liabilities

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

(vi) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are presented on a gross basis as the Bank does not enter into netting arrangements that meet the criteria under IAS 32 for offsetting.

(g) Fair value measurement

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)
3. MATERIAL ACCOUNTING POLICY (Continued)

(g) Fair value measurement (continued)

The Bank measure fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
- Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models.
- Assumptions and inputs used in valuation techniques include risk-free and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates and correlations.
- The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows in the financial statements, cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the asset.

Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incurred.

Depreciation is charged on a straight-line basis to allocate the cost of each asset, to its residual value over its estimated useful life as follows:

Description	Rate
Motor vehicles	25.00%
Furniture, fixtures and fittings	12.50%
Office equipment	12.50%
Computer equipment	20.00%
Residential furniture	33.33%
Leasehold improvements	12.50% or over the period of lease if shorter than 8 years

Depreciation is recognised in profit or loss. The assets' residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

Any gains or losses on disposal of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in other income in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (Continued)

(j) Intangible assets

Computer software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software is measure at cost less accumulated amortisation and accumulated impairment from the date it is available for use. The costs are amortised on a straight-line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Costs associated with maintaining software are recognised as an expense as incurred.

Amortisation methods, residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

(k) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group. Impairment losses are recognised in the profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Employee benefits

(i) Defined contribution plan

The Bank and its employees contribute to National Social Security Fund on a mandatory basis. These are defined contribution schemes. Employees contribute 10% while the Bank contributes 10% to the scheme. A defined contribution scheme is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

(ii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is recognised within accruals and the movement in the year is debited/credited to the profit or loss.

(l) Share capital and share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instruments.

(m) Dividends

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

(n) Contingent liabilities

Letters of credit, acceptances and guarantees are not recognised and are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)
3. MATERIAL ACCOUNTING POLICY (CONTINUED)

(o) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(p) Comparative information

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year. See note 38 for details.

(q) Financial Guarantees

In the ordinary course of business, the Bank issues financial guarantees including payment guarantees, performance guarantees and bid bonds. Although these guarantees are generally cashsecured, the Bank recognizes and measures financial guarantee contracts in accordance with IFRS 9. Financial guarantees are initially recognized at fair value and are subsequently measured at the higher of: (i) the expected credit loss determined under IFRS 9; and (ii) the amount initially recognised, less cumulative income recognised in accordance with IFRS 15. Cash collateral received in respect of financial guarantees is recognised separately as an asset and does not eliminate the Bank's obligation under the guarantee contract. Financial guarantees that do not give rise to a recognised liability remain offbalance sheet, with the related expected credit loss recognised in accordance with IFRS 9.

(r) Leases

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

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

The Bank acting as a lessee

The Bank leases a number of branch and office premises. The leases typically run for a period of 5 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every year whenever there are changes in the market rentals.

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

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

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The right of use asset is amortised over an average of three years or lease tenure.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (Continued)

(r) Leases (continued)

The Bank acting as a lessee (continued)

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank re-measures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

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

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets (USD 500 or less) and short-term leases (1 year or less). The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(s) New standards, amendments and interpretations

(i) New and amended standards adopted by the Bank

The following new and amended International Financial Reporting Standards ("IFRS Accounting Standards") have been adopted by the Bank for the first time in the financial year beginning 1 January 2025. These standards have been applied in preparing the 31 December 2025 financial statements. The adoption of these amendments has not had a material impact on the Bank's financial position, performance or related disclosures.

International Financial Reporting Standards and amendments effective for the first time for December 2025 year-ends		
Number	**Effective date**	**Executive Summary**
Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	Annual periods beginning on or after 1 January 2025	Under the amendments, companies are required to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures include: • the nature and financial impacts of the currency not being exchangeable. • the spot exchange rate used; • the estimation process; and • risks to the company because the currency is not exchangeable.

(ii) New and amended standards not yet effective

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Amendment to IFRS 9, 'Financial Instruments' and IFRS 7, 'Financial Instruments: Disclosures' – Classification and Measurement of Financial Instruments (Published May 2024)	Annual periods beginning on or after 1 January 2026	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (Continued)

(s) New standards, amendments and interpretations (continued)

(ii) New and amended standards not yet effective (continued)

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Annual Improvements to IFRS Accounting Standards – Amendments to; IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual periods beginning on or after 1 January 2026	The annual improvements process aims to improve the clarity and internal consistency of IFRS® Accounting Standards. In this volume of improvements, the International Accounting Standards Board (IASB) makes minor amendments to IFRS 9 **Financial Instruments** and to a further four accounting standards[1]. The amendments to IFRS 9 address: • a conflict between IFRS 9 and IFRS 15 **Revenue from Contracts with Customers** over the initial measurement of trade receivables; and • how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	Annual periods beginning on or after 1 January 2026	
IFRS 18 Presentation and Disclosure in Financial Statements	Annual periods beginning on or after 1 January 2027	Presentation and disclosure of financial statements – IFRS 18 IFRS 18 promotes a more structured income statement, introduces a newly defined “operating profit” subtotal, and a requirement for all income and expenses to be classified into three new distinct categories based on an entity’s business activities. The new standard requires an entity to analyze their operating expenses directly on the face of the income statement – either by nature, by function or on a mixed basis. In addition, the standard defines “management-defined performance measures” (MPMs) and requires that an entity provide disclosures regarding its MPMs in order to enhance transparency. The standard further provides enhanced guidance on aggregation and disaggregation of information, which will apply to both the primary financial statements and the notes. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and applies retrospectively with early adoption permitted. The impact of this standard on the Bank is currently being assessed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

3. MATERIAL ACCOUNTING POLICY (Continued)

(s) New standards, amendments and interpretations (continued)

(ii) New and amended standards not yet effective (continued)

Number	Effective date	Executive Summary
IFRS 19, 'Subsidiaries without Public Accountability' (Published May 2024)	Annual periods beginning on or after 1 January 2027	The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements. IFRS 19 is a voluntary Accounting Standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements.
IAS 21 The Effects of Changes in Foreign Exchange Rates	Annual periods beginning on or after 1 January 2027	Under the current translation requirements, net assets or net liabilities are translated using the closing rate at the reporting date, reflecting the decline in economic value of the hyperinflationary presentation currency. In contrast, income and expenses and other components of equity are translated using historical exchange rates. The resulting exchange differences are recognised in the foreign currency translation reserve (in other comprehensive income), which could grow significantly in a hyperinflationary economic environment. Under the amendments, a company may no longer see its foreign currency translation reserve growing more than other components of equity. This is because the company would use the same closing rate to translate all amounts, including components of equity, into its presentation currency. Additionally, the amendments introduce the use of the general price index to restate the comparatives of certain foreign operations. This change may simplify companies' procedures by eliminating the need to reperform the consolidation procedures for comparatives.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The implementation of the amendments is not expected to have a material impact on the financial statements of the bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT

This section provides details of the Bank's exposure to risk and describes the methods used by management to control risk.

Financial risk

Significant types of risk to which the Bank is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes foreign exchange risk, interest rate risk and price risk.

(a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

The Board of Directors of the Bank has delegated responsibility of the management of credit risk to the Board Credit Committee. Further, the Bank has its own Credit Risk Management Committee that reports to the Board Credit Committee. The Bank's credit exposure at the reporting date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive or negative fair value at that date, as recorded on the statement of financial position.

The Bank monitors the credit risk of its trading instruments on an ongoing basis; however, such instruments are limited in nature and arise primarily from customerdriven foreign exchange dealings. Creditrisk assessment for these positions considers marktomarket values—whether positive or negative—and the volatility of those values over the instruments' remaining life, with oversight performed as part of the Bank's broader treasury riskmanagement framework rather than through a standalone trading book.

To manage the level of credit risk, the Bank deals with counter parties of good credit standing wherever possible and when appropriate, obtains collateral.

An assessment of the extent to which fair values of collaterals cover existing credit risk exposure on loans and advances to customers is highlighted below.

(i) Credit quality analysis

The Bank also monitors concentrations of credit risk that arise by industry and type of customer in relation to group loans and advances to customers by carrying a balanced portfolio. The Bank has no significant exposure to any individual customer or counter-party.

To determine impairment of loans and advances, the Bank assesses whether it is probable that it will be unable to collect all principal and interest according to the contractual terms of the loans and advances.

(i) The following table presents the credit quality of financial assets measured at amortised cost. Unless otherwise stated, the figures represent the gross carrying amounts, the related impairment allowances, and the resulting amortised cost. Refer to Note 3(f)(iii) for the definitions of 12month ECL, lifetime ECL, and creditimpaired used in the staging of these assets and note 4(a)(iii) for definitions of Stage 1,2 and 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

2025:

Risk classification	12 month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total 31 December 2025
	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Loans and advances to Customers at amortised cost				
Stage 1	490,656,228	-	-	490,656,228
Stage 2	-	46,517,929	-	46,517,929
Stage 3	-	-	22,572,249	22,572,249
Gross carrying amount	**490,656,228**	**46,517,929**	**22,572,249**	**559,746,406**
Expected Credit Loss	(4,948,823)	(15,836,838)	(10,984,686)	(31,770,347)
Carrying amount	**485,707,405**	**30,681,091**	**11,587,563**	**527,976,059**

2024:

Risk classification	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total 31 December 2024
	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Loans and advances to Customers at amortised cost				
Stage 1	346,255,867	-	-	346,255,867
Stage 2	-	63,624,150	-	63,624,150
Stage 3	-	-	37,615,732	37,615,732
Gross carrying amount	**346,255,867**	**63,624,150**	**37,615,732**	**447,495,749**
Expected Credit Loss	(1,436,243)	(1,051,839)	(9,984,632)	(12,472,714)
Carrying amount	**344,819,624**	**62,572,311**	**27,631,100**	**435,023,035**

The Bank has assessed the following financial assets as Stage 1 exposures. While a 12month expected credit loss is recognised for Stage 1 assets, the resulting ECL for these particular exposures was assessed to be immaterial as at 31 December 2025.

	2025	2024
	TZS '000	TZS '000
Balances with central bank	87,616,072	78,330,303
Loans and advances to banks	104,872,525	61,038,155
Government securities at FVTPL	-	1,688,839
Government securities at amortised cost	148,543,604	165,676,022
Due from group companies	9,828,215	7,730,343
Other assets	18,597,038	10,104,726
	369,457,454	**324,568,388**

Other assets exclude prepayments and tax receivables which are non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

The following shows the grading of loans and advances to customers in line with local prudential guidelines.

Loans and advances to customers	IFRS 9 stage	Average PD	2025 TZS '000	2024 TZS '000
Identified impairment:				
Grade 3: Substandard	3	1.00	15,249,416	14,869,722
Grade 4: Doubtful	3	1.00	3,494,006	13,777,516
Grade 5: Loss	3	1.00	3,828,827	8,968,494
			22,572,249	**37,615,732**
Specific allowance for impairment			(10,984,685)	(9,984,632)
Carrying amounts			**11,587,564**	**27,631,100**
Unidentified impairment:				
Grade 2: Watch	2	0.00343	46,517,929	63,624,150
Grade 1: Normal	1	0.00511	490,656,228	346,255,867
			537,174,157	**409,880,017**
Portfolio impairment provision			(20,785,662)	(2,488,082)
Carrying amounts			**516,388,495**	**407,391,935**
Total carrying amounts			**527,976,059**	**435,023,035**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

Identified impairment:	IFRS 9 stage	Average PD	Gross TZS '000	Net TZS '000
31 December 2025				
Grade 3: Substandard	3	1.00	15,249,416	10,341,479
Grade 4: Doubtful	3	1.00	3,494,006	965,386
Grade 5: Loss	3	1.00	3,828,827	280,699
			22,572,249	**11,587,564**
31 December 2024				
Grade 3: Substandard	3	1.00	14,869,722	12,348,062
Grade 4: Doubtful	3	1.00	13,777,516	12,795,620
Grade 5: Loss	3	1.00	8,968,494	2,487,418
			37,615,732	**27,631,100**
Unidentified impairment:				
31 December 2025				
Grade 1: Normal	1	0.00343	490,656,228	485,707,404
Grade 2: Watch	2	0.00511	46,517,929	30,681,091
			537,174,157	**516,388,495**
31 December 2024				
Grade 1: Normal	1	0.00343	346,255,867	344,819,624
Grade 2: Watch	2	0.00511	63,624,150	62,572,311
			409,880,017	**407,391,935**

Impaired loans and advances

Impaired loans and advances are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 3 (substandard) to 5 (loss) in the Bank's internal credit risk and grading system.

Neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed with reference to the bank's internal rating system. All such loans must be performing in accordance with the contractual terms and are expected to continue doing so. Loans in this category are fully protected by their current sound net worth and paying capacity of the borrower. These loans and advances are categorised as normal in line with BOT prudential guidelines.

Past due but not impaired loans and advances

These are loans where credit risk has increased significantly—often indicated by pastdue status or other adverse credit indicators—but the loans are not considered creditimpaired. Based on this deterioration in the borrower's probability of default, they are classified as Stage 2 under the Bank's credit risk grading framework.

(ii) Collateral and other security enhancements

The Bank holds collateral against loans and advances to customers in the form of cash, residential, commercial and industrial property; fixed assets such as plant and machinery; marketable securities; bank guarantees and letters of credit, mortgage interests over property and other registered securities over assets and guarantees. Estimate of fair value are based on the value of collateral assessed at the time of borrowing and updated every three years in line with the bank's policy.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)
4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

The Bank also enters into collateralised reverse purchase agreements. Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the bank's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral.

Collateral held against impaired loans is maintained at fair varestalue. The valuation of collateral is monitored regularly and is back tested at least annually.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2025 and 31 December 2024.

An estimate of the fair value of collateral held against loans and advances to customers subject to collateral requirements at the end of the year is shown below:

31-Dec-2025	Gross collateralized exposure	Impairment Allowance	Carrying amount	Fair value of collateral held	Percentage of exposure that is subject to collateral requirements
	TZS'000	TZS'000	TZS'000	TZS'000	
Stage I	490,656,228	4,948,824	485,707,404	1,061,033,988	216%
Stage II	46,517,929	15,836,838	30,681,091	118,193,566	254%
Stage III	22,572,249	10,984,685	11,587,564	12,052,479	53%
	559,746,406	31,770,347	527,976,059	1,191,280,033	
31-Dec-2024					
Stage I	346,255,867	1,436,243	344,819,624	726,368,772	210%
Stage II	63,624,150	1,051,839	62,572,311	83,992,634	132%
Stage III	37,615,732	9,984,632	27,631,100	31,032,772	82%
	447,495,749	12,472,714	435,023,035	841,394,178	

(iii) Amounts arising from ECL

Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Expected credit loss measurement (Continued)

• Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
• 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 (POCIs) are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis. The bank had no POCIs as at 31 December 2025.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The loan segmentation in the ECL model is categorised as per the below sectors where applicable: Agriculture, Trade, Building and Construction, Education, Housing, Hotel, Manufacturing, Mining & Quarrying, Personal, Real Estate, Other services, Transport and Communication and Tourism.

The following exposures are assessed individually:

- Stage 3 loans and overdraft facilities
- Properties in repossession proceedings

The appropriateness of these groupings is periodically reviewed by the Credit Risk team. The Bank groups exposures based on product type, with segmentation by sector incorporated as follows

Secured term loans - Includes term loans secured by collateral such as legal mortgage, guarantees, or cash cover. This group consists of Corporate Loans, Special Asset Loans, Invoice Financing Loans, Personal Loans with cash cover, SME Loans, Staff Mortgages, and Car Loans. These loans are further segmented into the relevant sectors such as Trade, Manufacturing, and Real Estate.

Unsecured term loans - Includes all unsecured facilities such as Staff Loans and Personal Loans, with segmentation applied based on the borrower's sector where applicable.

Digital loans – Includes short-term overdrafts issued to mobile network operator customers, categorized under the Personal sector.

Overdrafts – Includes all overdraft advances issued to Corporate customers, SMEs and Personal loans. These overdrafts are classified based on the industry sector, such as Trade, Transport & Communication, and Tourism.

Off balance sheet items – Includes all financial guarantees, letters of credit, and unutilized loan commitments, categorized according to the industry sector of the underlying exposure.

Credit risk grading

Other than for loans and advances to banks and investment securities, for which the Bank applies internal credit rating models, the Bank primarily relies on the regulatory creditrisk classification framework prescribed in its operating jurisdiction to determine credit risk grades that reflect its assessment of the probability of default of individual counterparties.

In addition, the regulatory classification framework is supplemented by:

(i) Borrower and loanspecific information collected at origination, such as disposable income and collateral levels for retail exposures, and turnover, financial performance, and industry characteristics for wholesale exposures.
(ii) External data sources, including credit bureau scores and other thirdparty credit information relevant to the borrower.
(iii) Expert judgement from Credit Risk Officers, which is incorporated into the final credit rating to ensure that qualitative considerations—especially those not fully captured by modeldriven inputs—are appropriately reflected.

The Bank's credit grades are calibrated such that the probability of default increases progressively and nonlinearly at each higher risk grade, ensuring appropriate differentiation of credit quality across the portfolio.

The following are additional considerations for each type of portfolio held by the Bank:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)
4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)Customer loans and advances

Following initial recognition, borrowers' repayment behaviour is monitored periodically to generate updated behavioural scores and capture any additional information that may affect their creditworthiness. Furthermore, relationship managers continuously update the credit system with new or revised information, including updated credit assessments, to ensure that borrower profiles remain accurate and reflective of current risk conditions.

Loans and advances to banks

The Bank determines a significant increase in credit risk for interbank exposures by assessing internal credit ratings, financial strength, external ratings, country risk, exposure levels, and market indicators. A significant increase is identified when internal ratings deteriorate, adverse developments occur, or there are signs the counterparty may face difficulty meeting its obligations.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction (country) and borrower and type of product as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macroeconomic drivers extend beyond GDP growth to include exchange rates, interest rates, domestic demand and consumption, external sector indicators (exports, imports, reserves), and inflationary conditions.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert judgment and, where possible, relevant historical experience, the Bank identifies exposures where credit risk has increased, even if this is not yet captured in quantitative models. This includes factors such as declining financial performance, industry challenges, changes in payment behaviour, covenant breaches, restructuring requests, or other signs of weakening creditworthiness. These qualitative assessments complement the Bank's quantitative analysis to ensure early identification of elevated credit risk.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined by considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria is capable of identifying significant increase in credit risk when an asset becomes 30 days past due; and
- the transfers between Stage 1 and Stage 2 do not create unnecessary volatility in the loss allowance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)
4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g., breaches of covenant.
- quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Assets and Liabilities Committee (ALCO) and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund (IMF), World Bank, Bank of Tanzania and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The Banking Industry non-performing loans (NPL %) was a reasonable approximation to the default risk. The correlation between the Banking Industry non-performing loans (NPL%) with the macroeconomic factors was then inferred to the Bank's predicated Probabilities of Default. Further, in determining the economic scenarios to be applied, each of the economic variable was adjusted either upside or downside using the historical standard deviation.

Base Case- These are the forecasted probabilities of default under current normal macro-economic conditions.

Pessimistic Case/ Downside - These are the forecasted probabilities of default under adverse macro-economic conditions obtained by stressing the current macro-economic variables by the mean standard deviation.

Optimistic Case/ Upside - These are the forecasted probabilities of default under a positive macro-economic outlook obtained by stressing the current macro-economic variables by the mean standard deviation.

The weights are developed based on the average number of loans under default for the past 24 months considering the distribution of the default rates around the mean standard deviation.

The constant rate used in macroeconomic variables refers to a scenario where a particular macroeconomic variable is assumed to remain unchanged over the forecast period instead of following a dynamic or forward-looking projection.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued) Significant macroeconomic factors based on sectors

		2025		
	Coefficient/ Sensitivity	Base	Upside	Downside
Macro-Economic Variable		%	%	%
Weighting		**50**	**20**	**30**
Agriculture				
Short-term debt	2.8879	5.00	3.00	8.00
Constant rate	(2.4339)			
Trade				
Imports of goods and services	(6.40657)	(3.203)	(1.922)	(4.164)
Consumption real growth	46.8542	23.427	14.056	35.279
Domestic demand per capita	(21.2379)			
Constant rate				
Mining and Quarrying				
Exchange Rate	22.94062	11.47	6.882	17.205
Government final consumption per capita	(41.9211)	(20.961)	(12.577)	(31.337)
Constant rate	0.080128			
Transport and Communication				
Consumption real growth	66.43588	33.218	19.931	49.851
Exchange rate	23.5081	11.754	7.052	17.631
Constant rate	(5.5264)			
Financial Services				
Exchange rate	21.48208	10.741	6.445	16.112
Services exports	(9.1752)	(4.588)	(2.753)	(6.878)
Exports of goods and services	8.4395	4.22	2.532	6.33
Constant rate	(2.42129)			
Tourism, Tourism and Hotels				
Exchange rate	29.56743	14.784	8.87	22.15
Imports of goods and services per capita	3.570228	1.785	1.071	2.678
Constant rate	(2.32501)			
Building and Construction				
Exchange rate	56.98501	28.493	17.096	42.74
Domestic demand per capita	32.34203	16.171	9.703	24.257
Nominal GDP per capita	(26.3334)	(13.167)	(5.267)	(26.667)
Constant rate	(1.62186)			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Significant macroeconomic factors based on sectors (continued)

		2025		
	Coefficient/ Sensitivity	Base	Upside	Downside
Macro-Economic Variable		%	%	%
Weighting		**50**	**20**	30
Real Estate and Housing Loans				
Exchange rate	22.46516	11.233	6.74	16.85
Import price index	7.766131	3.883	2.33	5.849
Exports of goods and services per capita	1.512977	0.756	0.454	1.134
Constant rate	(0.30572)			
Manufacturing				
Exchange rates	8.089081	4.045	2.427	6.068
Foreign reserves	(3.06467)	(1.532)	(0.92)	(2.299)
Exports of goods and services	(1.40518)	(0.703)	(0.422)	(1.055)
Constant rate	(1.94167)			
Personal				
Exchange rate	9.590184	4.795	2.878	7.193
Exports of goods and services per capita	(2.68698)	(1.343)	(0.806)	(2.015)
Interest payments	2.005518	1.003	0.602	1.505
Constant rate	(1.60014)			

The Bank updated its approach to assessing economic risks this year by looking beyond interest rates and exchange rates to also consider factors such as spending by consumers, demand in the economy, and trade activities. It also placed more emphasis on potential downside scenarios to reflect increased uncertainty. These changes help provide a more complete and realistic view of how economic conditions could affect the Bank.

The below table lists the macroeconomic forecasts used in the estimation of ECL.

Macro-Economic Variable	2026	2027	2028	2029	2030
Nominal GDP per capita	0.71%	5.01%	5.26%	6.23%	6.18%
Short-term debt	0.91%	0.42%	0.78%	0.84%	0.96%
Imports of goods and services	0.41%	5.62%	2.62%	3.57%	4.00%
Consumption real growth	0.42%	9.41%	9.85%	9.97%	9.82%
Domestic demand per capita	0.25%	6.42%	6.89%	7.04%	6.92%
Exchange Rate	0.83%	-1.42%	7.73%	9.61%	9.88%
Government final consumption per capita	0.65%	2.25%	6.81%	5.91%	5.71%
Services exports	0.27%	3.16%	2.29%	2.28%	2.25%
Exports of goods and services	0.20%	4.19%	1.64%	3.29%	3.72%
Imports of goods and services per capita	0.57%	4.00%	4.00%	4.00%	4.00%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Significant macroeconomic factors based on sectors (continued)

		2024		
	Coefficient/ Sensitivity	Base	Upside	Downside
Macro-Economic Variable		%	%	%
Weighting		**70.83%**	**12.50%**	**16.67%**
Agriculture				
Repo rate	35.1494	5.30%	4.18%	6.42%
Constant rate	(1.7051)			
Hotel and Restaurant				
Repo rate	30.047	5.30%	7.06%	3.54%
Savings rate	(90.713)	8.12%	7.79%	9.88%
Constant rate	4.833			
Trade				
Repo rate	11.6651	5.30%	6.42%	4.18%
Savings rate	(30.7552)	8.11%	7.79%	8.44%
Constant rate	(0.7475)			
Services				
91 Day T-bills	(42.616)	5.60%	4.14%	7.07%
Savings rate	(174.346)	8.12%	7.79%	8.44%
Constant rate	12.597			
Personal loan				
91 Day T-bills	14.379	5.60%	7.07%	4.14%
364 Day T-bills	11.517	10.12%	11.76%	8.47%
Constant rate	(4.768)			
Building and Construction				
364 Day T-bills	18.345	9.98%	11.63%	8.33%
Foreign exchange rates	9.6169	(4.04%)	(1.53%)	(6.54%)
Constant rate	(1.8363)			
Real Estate				
Central bank rate	10.4955	6.00%	6.23%	5.77%
Inflation rate	27.9332	3.02%	3.07%	2.97%
Constant rate	(3.8675)			
Manufacturing				
Interbank rate	(23.682	7.28%	6.91%	7.66%
Currency exchange rates	7.985	0.87%	1.10%	0.64%
Public debt to GDP	109.818	36.13%	36.19%	36.06%
Constant rate	(42.583)			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Measurement of ECL (Continued)

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the term structure of the following variables:

— Probability of default (PD);
— Loss given default (LGD);
— Exposure at default (EAD).

Loss Given Default (LGD) represents the Banks's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. 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 assessed based on recovery experience.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

— segment type; and
— credit risk quality

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

ECL - Sensitivity analysis – Stage 1 and 2 of non-digital loans

For the purposes of the Bank's actual weighting of its economic scenarios, a 50% probability weighting is applied to the baseline scenario; with a 20% and 30% probability weighting applied to the upside and downside scenarios, respectively. However, given the level of uncertainty required in the determination of ECL, the Bank has conducted a sensitivity analysis in order to indicate the impact on the ECL when assigning a probability weighting of 100% to each macroeconomic variable scenario. The analysis only reflects the impact of changing the probability assigned to each scenario to 100% and does not include management adjustments required to provide a more appropriate assessment of risk.

	ECL allowance after the change		Increase/Decrease in ECL allowance	
	2025	2024	2025	2024
	TZS'000	TZS'000	TZS'000	TZS'000
100% upside scenario	17,626,410	1,694,057	(104,739)	419,718
100% base scenario	17,728,528	1,274,407	(2,621)	68
100% downside scenario	17,832,628	959,563	101,479	(314,776)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Measurement of ECL (continued)

ECL - Sensitivity analysis (continued)

2024

Scenario	Exposure (TZS '000)	Loss Ratio (LR) (%)	ECL Allowance (TZS '000)	Change (%)
Base Case	15,821,971	30%	4,801,454	-
Optimistic Case (-5% Exposure, -5% LR)	15,030,873	29%	4,333,312	(10%)
Pessimistic Case (+5% Exp, +5% LR)	16,613,070	32%	5,293,603	10%
Stress Case (+10% Exp, +15% LR)	17,404,168	35%	6,073,839	27%

(i) Optimistic Case: Conversely, a 5% reduction in exposure and 5% decrease in loss ratio would reduce impairment by 10%, positively affecting financial performance.

• (ii) Pessimistic Case : A 5% increase in exposure and 5% increase in loss ratio would result in a 10% rise in impairment provisions, impacting profitability.

(iii) Stress Case: A 10% increase in exposure and 15% increase in loss ratio would increase impairment by 27%, impacting profitability.

Write-off policy

The Bank writes off financial assets that have been past due for more than 720 days. Financial assets are written off when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Modified financial assets

The table below summarizes financial assets with lifetime expected credit losses (ECL) whose contractual cash flows were modified during the period due to the financial difficulties of borrowers. The table shows the gross carrying amounts immediately before and after modification and the resulting net modification gain or loss.:

	2025	2024
	TZS'000	TZS'000
Gross carrying amount	1,933,065	36,973,321
Net modification (loss)/gain	(268,747)	371,233

Modifications were generally non-substantial and the impact on profit or loss is presented in the net modification gain/loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iv) Credit quality of other financial assets

Amounts due from banks

Balances due from other banks are categorized as stage 1. The Probability of Default (PD) is immaterial hence no impairment was recognized as at 31 December 2025 (2024: Nil). The expected credit loss is expected to be insignificant.

Debt securities, treasury bills and other eligible bills

The Bank holds Government of Tanzania Treasury Bills and Bonds, classified as Stage 1 due to their low credit risk. The ECL was calculated using a PD of 1.86% based on the sovereign B+ rating. LGD was estimated at 0.072% using transaction costs on disposal at the DSE, reflecting high liquidity and strong repayment history. This methodology is subject to periodic review to ensure ongoing compliance with applicable standards. This resulted in an impairment charge of TZS 1.77 million as at 31 December 2025 (2024: TZS 2.01 million).

Balances with Bank of Tanzania and other assets

Other assets, including balances with the Bank of Tanzania, are classified as Stage 1 due to their low credit risk. The Exposure at Default (EAD) represents the carrying amount of these balances, while the Probability of Default (PD) and Loss Given Default (LGD) are assessed as negligible given the strong credit quality of the counterparty. Accordingly, the resulting Expected Credit Loss (ECL) is considered immaterial, and no impairment has been recognised as at 31 December 2025 (2024: Nil).

Concentration of risks of financial assets with credit risk exposure

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Financial risk (continued)

(a) Credit risk (continued)

(i) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2025. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

	Tanzania	Europe	America	Others	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balances with Bank of Tanzania	87,616,072	-	-	-	87,616,072
Loans and advances to Banks	43,561,882	31,769,334	24,918,896	4,622,413	104,872,525
Loans and advances to customers	527,976,059	-	-	-	527,976,059
Due from group companies	-	-	-	9,828,215	9,828,215
Government securities measured at FVOCI	-	-	-	-	-
Government securities measured at FVTPL	-	-	-	-	-
Government securities at amortised cost	148,543,604	-	-	-	148,543,604
Other assets (excluding prepayments and advances)	18,597,038	-	-	-	18,597,038
As 31 December 2025	**826,294,655**	**31,769,334**	**24,918,896**	**14,450,628**	**897,433,513**
Credit risk exposures relating to off-balance sheet items are as follows:					
Letters of credit	49,513,917	-	-	-	49,513,917
Outstanding guarantees and indemnities	52,454,783	-	-	-	52,454,783
Acceptances and Undrawn balances	66,135,206	-	-	-	66,135,206
As 31 December 2025	**168,103,906**	**-**	**-**	**-**	**168,103,906**

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Financial risk (continued)

(a) Credit risk (continued)

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

(i) Geographical sectors (Continued)

	Tanzania	Europe	America	Others	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balances with Bank of Tanzania	78,330,303	-	-	-	78,330,303
Items in course of collection					-
Loans and advances to Banks	3,042,209	2,616,276	55,034,534	345,136	61,038,155
Loans and advances to customers	435,023,035	-	-	-	435,023,035
Due from group companies	-	-	-	7,730,343	7,730,343
Government securities measured at FVTPL	1,688,839	-	-	-	1,688,839
Government securities at amortised cost	165,676,022	-	-	-	165,676,022
Other assets (excluding prepayments and advances)	10,104,727	-	-	-	10,104,727
As 31 December 2024	**693,865,135**	**2,616,276**	**55,034,534**	**8,075,479**	**759,591,424**
Credit risk exposures relating to off-balance sheet items are as follows:					
Letters of credit	23,063,380	-	-	-	23,063,380
Outstanding guarantees and indemnities	41,212,602	-	-	-	41,212,602
Acceptances and Undrawn balances	61,681,115	-	-	-	61,681,115
As 31 December 2024	**125,957,097**	**-**	**-**	**-**	**125,957,097**

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

(a) Credit risk (continued)

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

(ii) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of its counterparties.

	Financial institutions	Agriculture	Manufacturing	Trade & Services	Government	Transportation	Building & construction	Real Estate	Others	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balances with Bank of Tanzania	87,616,072	-	-	-	-	-	-	-	-	**87,616,072**
Loans and advances to Banks	104,872,525	-	-	-	-	-	-	-	-	**104,872,525**
Loans and advances to customers	-	7,894,395	95,851,317	183,073,524	23,318,241	50,028,895	10,237,005	30,151,577	127,421,105	**527,976,059**
Due from group companies	9,828,215	-	-	-	-	-	-	-	-	**9,828,215**
Government securities measured at FVOCI	-	-	-	-	-	-	-	-	-	**-**
Government securities at amortised cost	-	-	-	-	148,543,604	-	-	-	-	**148,543,604**
Other assets (excluding prepayments and advances)	18,597,038	-	-	-	-	-	-	-	-	**18,597,038**
At 31 December 2025	**220,913,850**	**7,894,395**	**95,851,317**	**183,073,524**	**171,861,845**	**50,028,895**	**10,237,005**	**30,151,577**	**127,421,105**	**897,433,513**
Credit risk exposures relating to off-balance sheet items are as follows:										
Letters of credit	-	-	8,826,677	27,322,909	-	5,089,280	3,031,700	5,243,350	-	**49,513,916**
Outstanding guarantees	-	-	380,354	14,936,149	-	-	34,903,901	-	2,234,379	**52,454,783**
Acceptances and Undrawn balances	-	-	23,431,141	28,401,141	-	7,253,569	-	934,425	6,114,931	**66,135,207**
At 31 December 2025	-	-	32,638,172	70,660,199	-	12,342,849	37,935,601	6,177,775	8,349,310	**168,103,906**

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

(a) Credit risk (continued)

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

(ii) Industry sectors (Continued)

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of its counterparties.

	Financial institutions	Agriculture	Manufacturing	Trade & Services	Government	Transportation	Building & construction	Real Estate	Others	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balances with Bank of Tanzania	78,330,303	-	-	-	-	-	-	-	-	**78,330,303**
Loans and advances to Banks	61,038,155	-	-	-	-	-	-	-	-	**61,038,155**
Loans and advances to customers	-	26,408,673	112,380,357	142,180,924	-	33,368,916	21,461,131	27,499,525	71,723,509	**435,023,035**
Due from group companies	7,730,343	-	-	-	-	-	-	-	-	**7,730,343**
Government securities measured at FVOCI	-	-	-	-	-	-	-	-	-	**-**
Government securities measured at FVTPL	-	-	-	-	1,688,839	-	-	-	-	**1,688,839**
Government securities at amortised cost	-	-	-	-	165,676,022	-	-	-	-	**165,676,022**
Other assets (excluding prepayments and advances)	303,273	-	-	-	-	9,801,454	-	-	-	**10,104,727**
At 31 December 2024	**147,402,074**	**26,408,673**	**112,380,357**	**142,180,924**	**167,364,861**	**43,170,370**	**21,461,131**	**27,499,525**	**71,723,509**	**759,591,424**
Credit risk exposures relating to off-balance sheet items are as follows:										
Letters of credit	-	-	2,272,620	15,719,260	-	-	2,989,000	2,082,500	-	**23,063,380**
Outstanding guarantees	-	-	772,357	10,035,104	-	-	28,174,194	-	2,230,947	**41,212,602**
Acceptances and Undrawn balances	-	-	14,582,366	33,451,803	-	548,509	406,429	335,351	12,356,657	**61,681,115**
At 31 December 2024	-	-	17,627,343	59,206,167	-	548,509	31,569,623	2,417,851	14,587,604	**125,957,097**

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Financial risk (continued)

(a) Credit risk (continued)

Maximum Exposure to credit risk without taking into consideration collateral – Financial instruments subject to impairment

2025:

Model segment	12-month ECL		Lifetime ECL Not Credit Impaired		Lifetime ECL Credit Impaired		Total		
	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Net carrying amount
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Secured term loans	287,833,189	663,157	28,843,662	14,203,997	11,913,006	3,217,517	328,589,857	18,084,671	**310,505,186**
Unsecured term loans	34,246,385	1,991,053	325,539	52,633	477,151	477,151	35,049,075	2,520,837	**32,528,238**
Digital Lending	8,198,738	1,619,814	2,017,215	1,489,450	8,204,595	6,565,825	18,420,548	9,675,089	**8,745,459**
Overdraft	160,377,916	674,800	15,331,513	90,758	1,977,497	724,192	177,686,926	1,489,750	**176,197,176**
Gross carrying amount	**490,656,228**	**4,948,824**	**46,517,929**	**15,836,838**	**22,572,249**	**10,984,685**	**559,746,406**	**31,770,347**	**527,976,059**

2024:

Model segment	12 month ECL		Lifetime ECL Not Credit Impaired		Lifetime ECL Credit Impaired		Total		
	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Net carrying amount
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Secured term loans	213,399,700	134,156	23,051,234	33,187	20,727,164	4,943,179	257,178,098	5,110,522	252,067,576
Unsecured term loans	6,156,012	43,222	-	-	72,737	72,737	6,228,749	115,959	6,112,790
Digital Lending	5,563,242	1,040,883	1,546,684	289,385	8,712,046	3,471,187	15,821,972	4,801,455	11,020,517
Overdraft	121,136,913	217,982	39,026,232	729,267	8,103,785	1,497,529	168,266,930	2,444,778	165,822,152
Gross carrying amount	**346,255,867**	**1,436,243**	**63,624,150**	**1,051,839**	**37,615,732**	**9,984,632**	**447,495,749**	**12,472,714**	**435,023,035**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Maximum Exposure to credit risk – Financial instruments subject to impairment (continued)

Off balance sheet exposures

	2025	2024
	TZS '000	TZS '000
Contingencies related to:		
Letters of credit	49,513,916	23,063,380
Guarantees	52,454,783	41,212,602
Acceptances and undrawn balance	66,135,207	61,681,115
Gross carrying amount*	**168,103,906**	**125,957,097**
Loss allowance	(165,875)	(133,311)
Net carrying amount	**167,938,031**	**125,823,786**

*The off-balance sheet exposures above include only loan commitment and financial contracts that fall within the scope of IFRS 9. Provision for loss allowance relating to off-balance sheet exposures is presented under other liabilities.

Loss allowance

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments 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, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis. This change is incorporated within maintenance stage and other adjustments category.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements. This change is incorporated within maintenance stage and other adjustments category; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amount

The following tables show reconciliations from the opening to the closing balance of the loss allowance and gross carrying amounts by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(f)(iii).

Total Loans and advances

	Provisions (ECL allowance)				Exposure (Gross balance)			
2025	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2025	**1,436,243**	**1,051,839**	**9,984,632**	**12,472,714**	**346,255,867**	**63,624,150**	**37,615,732**	**447,495,749**
Transfer from 12 months ECL (Stage 1)	(29,015)	27,940	1,075	-	(25,703,058)	21,428,440	4,274,618	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	381,227	(381,227)	-	-	27,886,784	(27,886,784)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	2,594,560	-	(2,594,560)	-	3,993,134	142,703	(4,135,837)	-
Net remeasurement of loss allowance	(1,248,209)	15,466,151	14,018,747	**28,236,689**	(35,639,423)	(10,080,841)	28,216,459	**(17,503,805)**
New financial assets originated or purchased	3,044,943	104,556	-	**3,149,499**	364,012,175	31,424,080	-	**395,436,255**
Financial assets derecognized	(1,230,925)	(432,421)	-	**(1,663,346)**	(190,149,251)	(32,133,819)	(32,973,514)	**(255,256,584)**
Write-Off	-	-	(10,425,209)	**(10,425,209)**	-	-	(10,425,209)	**(10,425,209)**
Balance at 31 December 2025	**4,948,824**	**15,836,838**	**10,984,685**	**31,770,347**	**490,656,228**	**46,517,929**	**22,572,249**	**559,746,406**

*Net remeasurement of loss allowance relates to net changes in ECL and Gross balances of facilities moved to other stages during the year relative to previous year.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

Total Loans and advances (continued)

	Provisions (ECL allowance)				Exposure (Gross balance)			
2024	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2024	**1,336,020**	**421,623**	**36,966,695**	**38,724,338**	**349,665,042**	**53,450,844**	**85,422,543**	**488,538,429**
Transfer from 12 months ECL (Stage 1)	(100,709)	83,925	16,784	-	(41,137,815)	35,455,542	5,682,273	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	43,056	(321,306)	278,250	-	10,388,894	(18,517,180)	8,128,286	-
Transfer from Lifetime ECL credit impaired (Stage 3)	7,109,077	557,379	(7,666,456)	-	15,595,438	1,756,984	(17,352,422)	-
Net remeasurement of loss allowance*	(6,300,883)	(326,944)	8,253,377	1,625,550	(170,197)	405,035	6,206,364	6,441,202
Retained same stage- remeasurement	(4,674)	7,421	2,393,620	2,396,367	(34,909,659)	(1,683,175)	(2,593,899)	(39,186,733)
New financial assets originated or purchased	312,473	731,003	28	1,043,504	239,254,673	24,476,303	(2,743)	263,728,233
Financial assets derecognized	(187,837)	(101,262)	(861,600)	(1,150,699)	(191,660,223)	(31,720,203)	(5,292,587)	(228,673,013)
Pre-write off recoveries	-	-	(2,461,237)	(2,461,237)	-	-	(2,461,237)	(2,461,237)
Write-Off	(770,280)	-	(26,934,829)	(27,705,109)	(770,286)	-	(40,120,846)	(40,891,132)
Balance at 31 December 2024	**1,436,243**	**1,051,839**	**9,984,632**	**12,472,714**	**346,255,867**	**63,624,150**	**37,615,732**	**447,495,749**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(i) Secured term loans

2025	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2025	**134,156**	**33,187**	**4,943,179**	**5,110,522**	**213,399,700**	**23,051,234**	**20,727,164**	**257,178,098**
Transfer from 12 months ECL (Stage 1)	(25,208)	25,007	201	-	(20,987,465)	16,861,477	4,125,988	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	1,749	(1,749)	-	-	5,519,468	(5,519,468)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	2,594,560	-	(2,594,560)	-	3,993,134	142,703	(4,135,837)	-
Net remeasurement of loss allowance	(3,299,606)	14,454,577	(10,456,450)	**698,521**	15,174,953	(7,510,012)	8,642,275	**16,307,216**
New financial assets originated or purchased	2,375,281	(224,393)	-	**2,150,888**	204,255,407	16,092,567	-	**220,347,974**
Financial assets derecognized	(1,117,775)	(82,632)	2,603	**(1,197,804)**	(133,522,008)	(14,274,839)	(31,863,766)	**(179,660,613)**
Reversal of provisions/Write-offs	-	-	11,322,544	**11,322,544**	-	-	14,417,182	**14,417,182**
Balance at 31 December 2025	**663,157**	**14,203,997**	**3,217,517**	**18,084,671**	**287,833,189**	**28,843,662**	**11,913,006**	**328,589,857**

*These loans are further segmented into the relevant sectors such as Manufacturing (25%), Trade (16%), Agriculture (11%), Building and Construction 10%, Transportation and Communication (9%), Real Estate (8%), Hotel and Restaurants 8% and others 13%.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(i) Secured term loans (continued)

2024	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2024	**845,731**	**78,644**	**33,107,381**	**34,031,756**	**200,325,149**	**19,377,787**	73,375,410	293,078,346
Transfer from 12 months ECL (Stage 1)	(8,314)	277	8,037	-	(18,907,181)	15,442,500	3,464,681	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	(78,635)	78,635	-	6,270,379	(10,555,223)	4,284,844	-
Transfer from Lifetime ECL credit impaired (Stage 3)	7,109,077	557,379	(7,666,456)	-	15,595,438	1,756,984	(17,352,422)	-
Net remeasurement of loss allowance	(7,077,525)	(533,704)	1,864,746	(5,746,483)	(3,285,655)	(240,319)	(1,906,530)	(5,432,504)
Retained same stage- remeasurement	1,241	7,499	2,416,693	2,425,433	(35,252,330)	(2,435,087)	(2,597,128)	(40,284,545)
New financial assets originated or purchased	55,420	1,719	-	57,139	114,491,439	1,324,758	-	115,816,197
Financial assets derecognized	(21,194)	8	(302,069)	(323,255)	(65,067,259)	(1,620,166)	(791,887)	(67,479,312)
Pre-write off recoveries	-	-	(2,461,237)	(2,461,237)	-	-	(2,461,237)	(2,461,237)
Write-offs	(770,280)	-	(22,102,551)	(22,872,831)	(770,280)	-	(35,288,567)	(36,058,847)
Balance at 31 December 2024	**134,156**	**33,187**	**4,943,179**	**5,110,522**	**213,399,700**	**23,051,234**	**20,727,164**	**257,178,098**

*These loans are further segmented into the relevant sectors such as Manufacturing (22%), Real Estate (20%) ,Trade (13%), Building and Construction 10%, Transportation and Communication (9%), Agriculture (7%), Hotel and Restaurants 6% and others 13%.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(ii) Unsecured term loans

2025	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2025	**43,222**	-	**72,737**	**115,959**	**6,156,012**	-	**72,737**	**6,228,749**
Transfer from 12 months ECL (Stage 1)	(1,840)	964	876	-	(289,394)	140,764	148,630	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	1,969,114	51,669	461,299	**2,482,082**	28,379,767	184,775	325,122	**28,889,664**
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets derecognized	(19,443)	-	(2,604)	**(22,047)**	-	-	(14,181)	**(14,181)**
Reversal of provisions/Write-offs	-	-	(55,157)	**(55,157)**	-	-	(55,157)	**(55,157)**
Balance at 31 December 2025	**1,991,053**	**52,633**	**477,151**	**2,520,837**	**34,246,385**	**325,539**	**477,151**	**35,049,075**

*Unsecured term loans include Staff Loans and Personal Loans categorized under Personal sector.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(ii) Unsecured term loans (continued)

	Provisions (ECL allowance)				Exposure (Gross balance)			
2024	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2024	**24,990**	**41,601**	**82,514**	**149,105**	**2,058,574**	**143,701**	**82,514**	**2,284,789**
Transfer from 12 months ECL (Stage 1)	(375)	-	375	-	(65,788)	-	65,788	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	41,601	(41,601)	-	-	143,701	(143,701)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(41,045)	-	21,572	(19,473)	(18,573)	-	(43,841)	(62,414)
Retained stage remeasurement	(5,914)	-	6,904	990	(212,138)	-	6,904	(205,234)
New financial assets originated or purchased	39,070	-	29	39,099	5,478,065	-	29	5,478,094
Financial assets derecognized	(15,105)	-	-	(15,105)	(1,227,829)	-	-	(1,227,829)
Write-offs	-	-	(38,657)	(38,657)	-	-	(38,657)	(38,657)
Balance at 31 December 2024	**43,222**	**-**	**72,737**	**115,959**	**6,156,012**	**-**	**72,737**	**6,228,749**

*Unsecured term loans include Staff Loans and Personal Loans categorized under Personal sector.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(iii) Digital Lending (Kamilisha)

	Provisions (ECL allowance)				Exposure (Gross balance)			
2025	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2025	1,040,883	289,385	3,471,187	4,801,455	5,563,242	1,546,684	8,712,046	15,821,972
Transfer from 12 months ECL (Stage 1)	-	-	-	-	-	-	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	578,931	1,200,065	24,787,234	**26,566,230**	2,635,496	1,670,596	24,279,783	**28,585,875**
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets derecognized	-	-	-	-	-	-	-	-
Reversal of provisions/Write-offs	-	-	(21,692,596)	**(21,692,596)**	-	(1,200,065)	(24,787,234)	**(25,987,299)**
Balance at 31 December 2025	**1,619,814**	**1,489,450**	**6,565,825**	**9,675,089**	**8,198,738**	**2,017,215**	**8,204,595**	**18,420,548**

*Digital loans include short-term overdrafts issued to mobile network operator customers, categorized under the Personal sector.

4. FINANCIAL RISK MANAGEMENT (Continued)

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

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(iii) Digital Lending (Kamilisha) (continued)

	Provisions (ECL allowance)				Exposure (Gross balance)			
2024	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2024	223,196	82,623	2,920,127	3,225,946	2,434,815	901,329	5,784,513	9,120,657
Transfer from 12 months ECL (Stage 1)	-	-	-	-	-	-	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	817,687	206,762	5,344,682	6,369,131	3,128,427	645,355	7,721,155	**11,494,937**
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets derecognized	-	-	-	-	-	-	-	-
Write-offs	-	-	(4,793,622)	(4,793,622)	-	-	(4,793,622)	**(4,793,622)**
Balance at 31 December 2024	**1,040,883**	**289,385**	**3,471,187**	**4,801,455**	**5,563,242**	**1,546,684**	**8,712,046**	**15,821,972**

*Digital loans include short-term overdrafts issued to mobile network operator customers, categorized under the Personal sector.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

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

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(iv) Overdrafts

	Provisions (ECL allowance)				Exposure (Gross balance)			
2025	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2025	**217,982**	**729,267**	**1,497,529**	**2,444,778**	**121,136,913**	**39,026,232**	**8,103,785**	**168,266,930**
Transfer from 12 months ECL (Stage 1)	(1,968)	1,968	-	-	(4,426,199)	4,426,199	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	379,478	(379,478)	-	-	22,367,316	(22,367,316)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(496,648)	(1,968)	(773,337)	**(1,271,953)**	(81,829,639)	(4,426,200)	(6,126,288)	**(92,382,127)**
New financial assets originated or purchased	669,662	90,758		**760,420**	159,756,768	15,331,513	-	**175,088,281**
Financial assets derecognized	(93,706)	(349,789)	-	**(443,495)**	(56,627,243)	(16,658,915)	-	**(73,286,158)**
Write-offs	-	-	-	-	-	-	-	-
Balance at 31 December 2025	**674,800**	**90,758**	**724,192**	**1,489,750**	**160,377,916**	**15,331,513**	**1,977,497**	**177,686,926**

*Overdrafts is further segmented into Trade (47%), Manufacturing (31%), Transport and Communication (7%), Real estate (4%) and other sectors (11%).

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(iv) Overdrafts (continued)

2024	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2024	**242,103**	**218,755**	**856,673**	**1,317,531**	**144,846,504**	**33,028,027**	**6,180,106**	**184,054,637**
Transfer from 12 months ECL (Stage 1)	(92,019)	83,647	8,372	-	(22,164,845)	20,013,043	2,151,802	
Transfer from Lifetime ECL not credit impaired (Stage 2)	1,455	(201,070)	199,615	-	3,974,815	(7,818,257)	3,843,442	
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	-	1,000,768	1,000,768	5,604	-	435,581	**441,185**
Retained stage remeasurement	-	(78)	(8,455)	(8,533)	557,579	751,911	(6,447)	**1,303,043**
New financial assets originated or purchased	217,983	729,267	-	947,250	119,282,397	23,151,545	-	**142,433,942**
Financial assets derecognized	(151,540)	(101,254)	(559,444)	(812,238)	(125,365,135)	(30,100,037)	(4,500,699)	**(159,965,871)**
Write-offs	-	-	-	-	(6)	-	-	**(6)**
Balance at 31 December 2024	**217,982**	**729,267**	**1,497,529**	**2,444,778**	**121,136,913**	**39,026,232**	**8,103,785**	**168,266,930**

*Overdrafts is further segmented into Trade (43%), Manufacturing (32%), Agriculture (7%), Real estate (5%) and other sectors (13%).

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

(v) Loan commitments and financial guarantee contracts

2025:	Provisions (ECL allowance)			Exposure (Gross balance)		
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2025	133,312	-	133,312	125,965,677	-	125,965,677
Transfer from 12 months ECL (Stage 1)	-	-	-	-	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-
Net remeasurement of loss allowance	(147,045)	-	(147,045)	(55,000,061)	-	(55,000,061)
New financial assets originated or purchased	179,608	-	179,608	97,138,290	-	97,138,290
Balance at 31 December 2025	165,875	-	165,875	168,103,906	-	168,103,906

*Off balance sheet exposure is segmented into the relevant sectors such as Trade (47%), Building and Construction (25%), Manufacturing (14%), Personal and Technology (12%) and other sectors (2%).

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

(v) Loan commitments and financial guarantee contracts (Continued)

	Provisions (ECL allowance)			Exposure (Gross balance)		
2024:	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2024	22,625	185,746	208,371	102,304,019	1,020,638	103,324,657
Transfer from 12 months ECL (Stage 1)	-	-	-	-	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-
Net remeasurement of loss allowance	110,686	(185,746)	**(75,060)**	23,661,658	(1,020,638)	**22,641,020**
New financial assets originated or purchased	-	-	-	-	-	-
Financial assets derecognised	-	-	-	-	-	-
Balance at 31 December 2024	133,311	-	133,311	125,965,677	-	125,965,677

*** Off balance sheet exposure is segmented into the relevant sectors such as Trade (39%), Building and Construction (38%) , Personal and Technology (12%) ,Manufacturing (10%), and other sectors (1%).**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

(v) Loan commitments and financial guarantee contracts (Continued)

	2025	2024
	TZS '000	TZS '000
Secured term loans	2,849,409	14,449,114
Unsecured term loans	2,482,082	5,511
Digital Lending	26,566,230	6,369,131
Overdraft facilities	(511,533)	1,127,247
Total on-balance sheet charge	31,386,188	21,951,003
Off balance sheet exposures	32,563	(75,060)
As at 31 December	**31,418,751**	**21,875,943**

(b) Liquidity risk

Liquidity risk includes the risk of being unable to meet financial obligations as they fall due because of inability to liquidate assets at a reasonable price and in an appropriate timeframe.

The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The Bank's liquidity management process, as carried out within the Bank and monitored by the treasury team, includes:

- Maintaining documented liquidity risk/crisis management plans which among other things defines situations which could precipitate liquidity crisis. Examples of such situations are: unusual activities at the branches, default by one or more large borrowers, devaluation of currency in which the Bank has large exposure, large litigation claim on the Bank etc;
- Maintaining adequate liquidity at all times and for all currencies, and hence to be in a position, in the normal course of business to meet all our obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitment made. This takes the form of maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cashflow.
- Managing the concentration and profile of debt maturities
- The Bank also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market. 'Deposits from customers and short-term funding' includes deposits from banks, customers, debt securities issued, other borrowings and commitments maturing within the next month. The Bank is required to maintain a regulatory liquid asset ratio of not less than 20%, based on management's assessment and its submission to the regulator the bank was compliant.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(b) Liquidity risk (continued)

(i) Non-derivative cash flows

31 December 2025	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
LIABILITIES						
Deposits from banks	65,542,249	-	-	-	-	**65,542,249**
Deposits from customers	263,787,849	8,562,544	282,312,324	67,990,920	5,867,013	**628,520,650**
Due to group companies	25,677,533	32,357,345	25,675,582	-	-	**83,710,460**
Other liabilities	11,149,098	-	-	-	-	**11,149,098**
Long term debt	-	443,492	2,220,074	13,833,989	1,553,125	**18,050,680**
Lease liabilities	393,090	1,048,739	1,209,644	7,238,045	3,475,972	**13,365,490**
At 31 December 2025	**366,549,819**	**42,412,120**	**311,417,624**	**89,062,954**	**10,896,110**	**820,338,627**
Assets held for managing liquidity	**155,692,740**	**159,145,709**	**137,270,733**	**227,451,997**	**161,646,115**	**841,207,294**

31 December 2024	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due between 1-5 years	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
LIABILITIES						
Deposits from banks	57,570,247	-	-	-	-	**57,570,247**
Deposits from customers	191,930,945	41,333,175	204,465,897	117,242,881	5,932,823	**560,905,721**
Due to group companies	3,647,910	7,396,595	40,586,823	-	-	**51,631,328**
Other liabilities	11,473,947	-	-	-	-	**11,473,947**
Long term debt	-	60,842	182,908	3,703,051	-	**3,946,801**
Lease liabilities	224,721	-	319,875	1,240,471	8,228,707	**10,013,774**
At 31 December 2024	**264,847,770**	**48,790,612**	**245,555,503**	**122,186,403**	**14,161,530**	**695,541,818**
Assets held for managing liquidity	**236,853,221**	**122,487,099**	**138,719,501**	**174,423,951**	**200,687,953**	**873,171,725**

The table below analyses financial liabilities and assets into relevant maturity groupings based on the remaining period as of 31 December 2025 and 2024 to the contractual undiscounted maturity date:

(ii) Assets held for managing liquidity risk

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

- Cash and balances with the Bank of Tanzania;
- Investment in government securities;
- Loans and advances to customers; and
- Placements and balances with other banks

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(b) Liquidity risk (continued)

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

(iii) Off-balance sheet items

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

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 31) are summarised in the table below.

(b) Financial guarantees and other financial facilities
Financial guarantees (Note 31) are also included below based on the earliest contractual maturity date.

	No later than 1 year	1-5 years	Total
	TZS '000	TZS '000	TZS '000
As at 31 December 2025			
Letters of credit	49,513,916	-	49,513,916
Guarantees	52,454,783	-	52,454,783
Acceptances and undrawn balance	66,135,207	-	66,135,207
	168,103,906	**-**	**168,103,906**

	No later than 1 year	1-5 years	Total
	TZS '000	TZS '000	TZS '000
As at 31 December 2024			
Letters of credit	23,063,380	-	23,063,380
Guarantees	41,212,602	-	41,212,602
Acceptances and undrawn balance	61,681,115	-	61,681,115
	125,957,097	**-**	**125,957,097**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spread (not relating to changes in the obligator's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments.

The Bank is primarily exposed to interest rate, foreign exchange risk and price risk. All trading instruments are subject to market risk, the risk that the future changes in market conditions may make an instrument less valuable or more onerous. The Bank manages its use of trading instruments in response to changing market conditions.

The Board of Directors has delegated responsibility for management of market risk to the Board Risk Committee. Exposure to market risk is formally managed within risk limits and policy guidelines issued by the Board, on recommendation of the Board Risk Committee. ALCO, a management committee is charged with the responsibility of ensuring implementation and monitoring of the risk management framework in line with policy guidelines. The policy guidelines and procedures in place are adequate to effectively manage these risks.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk

This is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Bank's interest rate gap position reflecting assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates is shown below:

31 December 2025	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS							
Cash and balances with Bank of Tanzania	-	-	-	-	-	101,058,884	**101,058,884**
Loans and advances to banks	45,480,237	59,102,230	-	290,058	-	-	**104,872,525**
Loans and advances to customers	50,397,397	89,667,622	123,566,673	186,340,402	78,003,965	-	**527,976,059**
Government securities at amortised cost	-	10,375,857	13,704,060	40,821,537	83,642,150	-	**148,543,604**
Due from group companies	5,591,756	-	-	-	-	4,236,459	**9,828,215**
Other assets	-	-	-	-	-	18,597,038	**18,597,038**
31 December 2025	**101,469,390**	**159,145,709**	**137,270,733**	**227,451,997**	**161,646,115**	**123,892,381**	**910,876,325**
LIABILITIES							
Deposits from banks	64,844,761	-	-	-	-	-	**64,844,761**
Deposits from customers	21,425,684	8,465,194	274,422,672	59,745,975	4,769,929	241,354,841	**610,184,295**
Due to group companies	15,093,124	32,100,541	25,172,139	-	-	10,549,201	**82,915,005**
Other liabilities	-	-	-	-	-	11,149,098	**11,149,098**
Lease liability	1,891,565	354,348	944,239	4,765,347	1,604,951	-	**9,560,450**
Long term debt	-	175,074	1,708,622	12,734,359	1,553,125	-	**16,171,180**
31 December 2025	**103,255,134**	**41,095,157**	**302,247,672**	**77,245,681**	**7,928,005**	**263,053,140**	**794,824,789**
Interest rate gap	**(1,785,744)**	**118,050,552**	**(164,976,939)**	**150,206,316**	**153,718,110**	**(139,160,759)**	**116,051,536**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk (continued)

31 December 2024	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS							
Cash and balances with Bank of Tanzania	-	-	-	-	-	86,527,215	**86,527,215**
Loans and advances to banks	60,772,621	-	-	265,534	-	-	**61,038,155**
Loans and advances to customers	124,654,349	40,224,001	99,388,295	128,499,082	42,257,308	-	**435,023,035**
Government securities measured at FVTPL	-	-	-	1,688,839	-	-	**1,688,839**
Government securities at amortised cost	27,068,707	18,597,102	34,308,542	2,927,193	82,774,478	-	**165,676,022**
Due from group companies	7,730,343	-	-	-	-	-	**7,730,343**
Other assets	-	-	-	-	-	10,104,727	**10,104,727**
31 December 2024	**220,226,020**	**58,821,103**	**133,696,837**	**133,380,648**	**125,031,786**	**96,631,942**	**767,788,336**
LIABILITIES							
Deposits from banks	57,529,859	-	-	-	-	-	**57,529,859**
Deposits from customers	61,121,381	40,893,711	199,192,654	113,613,712	3,291,500	130,808,902	**548,921,860**
Due to group companies	3,647,910	7,350,000	39,864,664	-	-	-	**50,862,574**
Other liabilities	-	-	-	-	-	11,473,947	**11,473,947**
Long term debt	-	26,176	-	3,250,000	-	-	**3,276,176**
Lease liability	96,425	-	298,439	1,079,698	5,578,103	-	**7,052,665**
31 December 2024	**122,395,575**	**48,269,887**	**239,355,757**	**117,943,410**	**8,869,603**	**142,282,849**	**679,117,081**
Interest rate gap	**97,830,445**	**10,551,216**	**(105,658,920)**	**15,437,238**	**116,162,183**	**(45,650,907)**	**88,671,255**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk (continued)

Sensitivity Analysis

31 December 2025	Profit or loss	Equity net of tax
100 basis points	Increase/ decrease in basis points ('000)	Increase/ decrease in basis points ('000)
Assets	9,108,763	6,376,134
Liabilities	(7,948,248)	(5,563,774)
Net position	**1,160,515**	**812,360**

An increase of 100 basis points in interest rates at the reporting date would have increased profit by TZS 1,161 million and equity (net of tax) by TZS 812 million and the inverse is the case for decrease in interest rates of 100 basis points. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

31 December 2024	Profit or loss	Equity net of tax
100 basis points	Increase/ decrease in basis points ('000)	Increase/ decrease in basis points ('000)
Assets	7,677,883	5,374,518
Liabilities	(6,791,171)	(4,753,820)
Net position	**886,712**	**620,698**

An increase of 100 basis points in interest rates at the reporting date would have increased profit by TZS 887 million and equity (net of tax) by TZS 621 million and the inverse is the case for decrease in interest rates of 100 basis points. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(c) Market risk (continued)

Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposure gives rise to foreign currency gains and losses that are recognised in the profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The table below analyses the foreign currencies which the Bank is exposed to as at 31 December 2025 and 31 December 2024.

31 December 2025	USD	GBP	EUR	Other	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Cash and balances with Bank of Tanzania	34,276,681	50,745	420,743	1,026,994	35,775,163
Items in the course of collection	22,198	-	-	-	22,198
Loans and advances to banks	62,469,193	1,733,308	1,446,117	923,856	66,572,474
Loans and advances to customers	324,162,493	-	-	-	324,162,493
Other assets	596,456	-	-	12,319	608,775
31 December 2025	**421,527,021**	**1,784,053**	**1,866,860**	**1,963,169**	**427,141,103**
LIABILITIES					
Deposits from banks	41,773,481	-	-	-	41,773,481
Deposits from customers	350,846,622	1,619,875	1,667,827	-	354,134,324
Other liabilities	56,599,933	210,711	162,243	336,095	57,308,982
Due to group companies	12,792,988	-	-	-	12,792,988
31 December 2025	**462,013,024**	**1,830,586**	**1,830,070**	**336,095**	**466,009,775**
Net on statement of financial position	**(40,486,003)**	**(46,533)**	**36,790**	**1,627,074**	**(38,868,672)**
Net notional off balance sheet position	**90,286,384**	**-**	**3,008,318**	**-**	**93,294,702**
Overall net position – 2025	**49,800,381**	**(46,533)**	**3,045,108**	**1,627,074**	**54,426,030**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(c) Market risk (continued)

Currency rate risk (continued)

At 31 December 2024	USD	GBP	EUR	Other	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Cash and balances with Bank of Tanzania	45,998,471	136,054	255,300	344,745	**46,734,570**
Loans and advances to banks	57,487,801	1,210,456	1,405,821	345,136	**60,449,214**
Loans and advances to customers	240,320,517	-	-	-	**240,320,517**
Due from group companies	6,412,129	388,142	345,037	425,036	**7,570,344**
Other assets	571,922	-	-	-	**571,922**
At 31 December 2024	**350,790,840**	**1,734,652**	**2,006,158**	**1,114,917**	**355,646,567**
LIABILITIES					
Deposits from banks	-	-	-	-	-
Items in the course of collection	-	-	-	-	-
Deposits from customers	283,965,228	1,583,162	1,832,814	171,996	**287,553,200**
Other liabilities	6,095,377	237,057	178,853	572,296	**7,083,583**
Due to group companies	50,110,644	-	-	104,571	**50,215,215**
At 31 December 2024	**340,171,249**	**1,820,219**	**2,011,667**	**848,863**	**344,851,998**
Net on statement of financial position	**10,619,591**	**(85,567)**	**(5,509)**	**266,054**	**10,794,569**
Net notional off balance sheet position	**36,223,484**	**-**	**3,161,950**	**-**	**39,385,434**
Overall net position – 2024	**46,843,075**	**(85,567)**	**3,156,441**	**266,054**	**50,180,003**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(c) Market risk (continued)

Currency rate risk (continued)

Sensitivity Analysis

At 31 December 2025	Profit or loss Strengthening/ weakening of currency	Equity net of tax Strengthening/ weakening of currency
	TZS '000	TZS '000
USD (± 1% movement)	37,524	26,267
GBP (± 1% movement)	(466)	(326)
EUR (± 1% movement)	368	257
Other (± 1% movement)	3,129	2,190
Net Position	**40,555**	**28,388**

A depreciation of TZS by 100 basis points in the currency rates at the reporting date would have increased profit by TZS 41 million and equity (net of tax) by TZS 28 million and an inversely would have been the case for an appreciation of TZS. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

At 31 December 2024	Profit or loss Strengthening/ weakening of currency	Equity net of tax Strengthening/ weakening of currency
	TZS '000	TZS '000
USD (± 1% movement)	106,196	74,337
GBP (± 1% movement)	(856)	(599)
EUR (± 1% movement)	(55)	(39)
Other (± 1% movement)	2,661	1,862
Net Position	**107,946**	**75,561**

A depreciation of TZS by 100 basis points in the currency rates at the reporting date would have decreased profit by TZS 108 million and equity (net of tax) by TZS 76 million and an inversely would have been the case for an appreciation of TZS. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

Price risk

The Bank are exposed to equity securities price risk because of investment in Tanzania Mortgage Refinance Company (TMRC) shares and investments in government securities that are measured at fair value through other comprehensive income (FVOCI). The Bank diversifies its portfolio in order to manage price risk arising from investments in equity and debt securities.

In determining the fair value of unquoted equity investment in TMRC, the Bank used a price of recent transaction of the shares of the Company. If the price of the shares would have increased/decreased by 10% the fair value of the investments would have been increased/decreased by TZS 27 million (2024: TZS 27 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(d) Capital management

The Bank of Tanzania sets and monitors capital requirements for the Tanzania banking industry. The Bank of Tanzania has set among other measures, the rules and ratios to monitor adequacy of a bank's capital. In implementing current capital requirements, The Bank of Tanzania requires Banks to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory is analysed in two tiers:

— Tier 1 capital: This includes ordinary share capital, share premium, retained earnings, after deductions for prepaid expenses, goodwill, other intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
— Tier 2 capital: This includes qualifying subordinated liabilities, collective impairment allowances and the element of fair value reserve relating to unrealized gains on equity instruments classified as FVOCI.

Various limits are applied to elements of the capital base such as qualifying Tier 2 capital cannot exceed Tier 1 capital and qualifying subordinated debt may not exceed 50 percent of Tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Tier 1 capital is also subjected to various limits such as Tier 1 capital should not be less than 10 percent of the risk weighted assets. In addition to the above requirements, the Bank of Tanzania require banks to maintain a capital conservation buffer of 2.5% over and above the regulatory capital ratios to enable the Bank to withstand stressful economic conditions. In situations where the buffer is less than 2.5%, the Bank is restricted from distributing any dividends to shareholders as well as paying bonus to senior management and other staff members. Further the Bank is required to submit a capital restoration plan to the Bank of Tanzania (BoT) within a specified period of time as determined by BoT. In the event the capital restoration plan is not approved by BoT, the Bank may be directed to raise additional capital in order to restore the capital conservation buffer.

The Bank's regulatory capital position is as illustrated below:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (continued)

	2025 TZS '000	2024 TZS '000
Core capital (Tier 1)		
Share capital	37,754,015	23,954,016
Share premium	31,528,228	31,528,228
Retained earnings	84,062,925	56,143,597
	153,345,168	**111,625,841**
Less: Prepaid expenses	(2,746,931)	(2,087,088)
Deferred tax asset	(13,615,849)	(12,562,103)
Total Core capital	**136,982,388**	**96,976,650**
Supplementary capital (Tier 2)		
Statutory reserve	-	7,857,958
Fair value reserve	-	270,004
	-	**8,127,962**
Total capital	**136,982,388**	**105,104,612**
Risk weighted assets		
On balance sheet	634,089,125	436,808,624
Off balance sheet	48,294,028	65,484,087
Capital charge on operational risk	23,362,813	37,271,417
Capital charge for market risk	1,997,197	697,710
Total risk weighted assets	**707,743,163**	**540,261,838**

Capital ratios	Minimum*	Ratio	
Core capital /Total risk weighted assets	**10%**	**19.35%**	**17.95%**
Total capital /Total risk weighted assets	**12%**	**19.35%**	**19.45%**

* The minimum as defined by Bank of Tanzania on top of which the Bank should have a buffer of 2.5% for both core and total capital.

As at 31 December 2025, the Bank had a capital conservation buffer of 9.35% and 7.35% for Tier 1 and Tier 2 Capital respectively.

(e) Compliance and regulatory risk

Compliance and regulatory risk include the risk of bearing the consequences of non-compliance with regulatory requirements. The compliance function is responsible for establishing and maintaining an appropriate framework of Bank compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

5. USE OF ESTIMATES AND JUDGEMENT

Key sources of estimation uncertainty

(a) Allowance for credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3(f) (iii) which also sets out key sensitivities of the ECL to changes in these elements.

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(b) Income taxes

Significant estimates are required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax liability in the period in which such determination is made.

(c) Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out under accounting policy Note 3(i).

(d) Leases

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).

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).

(d) Lease (continued)

- 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 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 Bank.

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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

5. USE OF ESTIMATES AND JUDGEMENT (Continued)

Key sources of estimation uncertainty (continued) (e) Financial Instruments - Classification

Critical accounting judgements made in applying to the Bank's accounting policies include the classification and measurement of financial assets and liabilities. This requires judgement in assessing the Bank's Business Model for managing financial assets—specifically whether assets are held to collect contractual cash flows, held to collect and sell, or held for trading—and in evaluating whether the contractual terms meet the **SPPI** (solely payments of principal and interest) criterion.

In assessing whether the contractual cashflows are SPPI, the bank considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing and amount of contractual cashflows such that it would not meet the condition. The bank has concluded that the relevant portfolios held at amortised cost are managed under a Business Model to hold assets to collect contractual cash flows and that the instruments satisfy the SPPI requirements. Refer to note 3(f)(ii).

(f) Fair valuation of financial instruments

The fair value of financial instruments traded in active markets is determined using quoted market prices or dealer price quotyations at the reporting date, without any deduction for transaction costs. For financial instruments not traded in an active market, fair values are determined using appropriate valuation techniques that make use of observable market inputs where available.

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

6. FAIR VALUE HEIRARCHY FOR FINANCIAL INSTRUMENTS

(a) Accounting classifications at carrying amounts and fair values

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at amortised cost (not measured at fair value) except government securities measured at amortised cost since the carrying amount is a reasonable approximation of fair value as their related interest rates approximate the industry rates and/or they re-price in the short term.

	Carrying amounts					Fair value			
31 December 2025	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVTPL	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	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*	101,058,884	-	-	-	**101,058,884**	-	101,058,884	-	**101,058,884**
Government securities at amortised cost	148,543,604	-	-	-	**148,543,604**	-	156,508,357	-	**156,508,357**
Equity investment at FVOCI	-	1,013,750	-	-	**1,013,750**	-	-	1,013,750	**1,013,750**
Loans and advances to banks*	104,872,525	-	-	-	**104,872,525**	-	104,872,525	-	**104,872,525**
Loans and advances to customers	527,976,059	-	-	-	**527,976,059**	-	527,326,221	-	**527,326,221**
Due from group companies*	9,828,215	-	-	-	**9,828,215**	-	9,828,215	-	**9,828,215**
Other assets*	18,597,038	-	-	-	**18,597,038**	-	18,597,038	-	**18,597,038**
31 December 2025	**910,876,325**	**1,013,750**	-	-	**911,890,075**	-	**918,191,240**	**1,013,750**	**919,204,990**
Financial liabilities									
Deposits from banks*	-	-	-	64,844,761	**64,844,761**	-	64,844,761	-	**64,844,761**
Deposits from customers	-	-	-	610,184,295	**610,184,295**	-	615,245,367	-	**615,245,367**
Due to group companies*	-	-	-	82,915,005	**82,915,005**	-	82,915,005	-	**82,915,005**
Long term borrowings	-	-	-	16,171,180	**16,171,180**	-	13,288,602	-	**13,288,602**
Other liabilities*	-	-	-	11,149,098	**11,149,098**	-	11,149,098	-	**11,149,098**
31 December 2025	-	-	-	**785,264,339**	**785,264,339**	-	**787,442,833**	-	**787,442,833**

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

6. FAIR VALUE HEIRARCHY FOR FINANCIAL INSTRUMENTS (Continued)

(a) Accounting classifications at carrying amounts and fair values – continued

	Carrying amounts					Fair value			
At 31 December 2024	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVTPL	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	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*	86,527,215	-	-	-	**86,527,215**	-	86,527,215	-	**86,527,215**
Items in the course of collection	-	.	-	-	**-**	-	-	-	**-**
Government securities measured at FVOCI		-	-	-	**-**	-	-	-	**-**
Government securities measured at FVTPL	-	-	1,688,839	-	**1,688,839**	-	1,688,839	-	**1,688,839**
Government securities at amortised cost	165,676,022			-	**165,676,022**	-	159,685,597		**159,685,597**
Equity investment at FVOCI	-	1,013,750	-	-	**1,013,750**	-	-	1,013,750	**1,013,750**
Loans and advances to banks*	61,038,155	-	-	-	**61,038,155**	-	61,038,155	-	**61,038,155**
Loans and advances to customers	435,023,035	-	-	-	**435,023,035**	-	424,779,555	-	**424,779,555**
Due from group companies*	7,730,343	-	-	-	**7,730,343**	-	7,730,343	-	**7,730,343**
Other assets*	10,104,727	-	-	-	**10,104,727**		10,104,727	-	**10,104,727**
31 December 2024	**766,099,497**	**1,013,750**	**1,688,839**	**-**	**768,802,086**	**-**	**751,554,431**	**1,013,750**	**752,568,181**
Financial liabilities									
Deposits from banks*	-	-	-	57,529,859	**57,529,859**	-	57,529,859	-	**57,529,859**
Deposits from customers	-	-	-	548,921,860	**548,921,860**	-	553,982,932	-	**553,982,932**
Due to group companies*	-	-	-	50,862,574	**50,862,574**	-	50,862,574	-	**50,862,574**
Long term borrowings	-	-	-	3,276,176	**3,276,176**	-	1,499,482	-	**1,499,482**
Other liabilities*	-	-	-	11,473,947	**11,473,947**	-	11,473,947	-	**11,473,947**
31 December 2024	**-**	**-**	**-**	**672,064,416**	**672,064,416**	**-**	**675,348,794**	**-**	**675,348,794**

***The disclosed carrying values of these financial assets and financial liabilities approximate their fair values as their related interest rates approximate the industry rates. Cash and balances with Bank of Tanzania as well as loans and advances to banks (short term placements) also approximate their fair values**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

6. FAIR VALUE HEIRARCHY FOR FINANCIAL INSTRUMENTS (Continued)

(b) Level 3 fair value measurements

Level 3 instruments relate to investment in Tanzania Mortgage Refinancing Company (TMRC), a non-listed entity.

(i) Reconciliation

There were no additions or significant changes in the fair value of the investment during the year.

(ii) Unobservable inputs used in measuring fair value.

The table below sets out information about the valuation techniques applied at the end of the reporting period in measuring assets and liabilities whose fair value is categorized as Level 3 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category of asset/liability	Valuation technique applied	Significant observable inputs
Unquoted Equity Investment	Comparable multiple method	Discount rates and prices of comparable companies

Fair value measurement sensitivity to unobservable inputs

The estimated fair value would increase and decrease if the market rates for similar instruments and discount rate decrease and increase respectively.

7. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

	2025	2024
	TZS '000	TZS '000
Interest income calculated using EIR		
Loans and advances to customers	105,076,152	78,238,769
Loans and advances to banks	1,115,766	1,126,356
Investment securities:-		
- At amortised cost	16,668,231	18,251,046
- At FVOCI	-	17,398
	122,860,149	97,633,569
Other interest income:		
Investment securities at FVTPL	27,550	243,754
	122,887,699	**97,877,323**

8. INTEREST EXPENSE

Interest expense calculated using EIR		
Deposits from customers	32,194,179	28,751,438
Deposits from banks	2,025,206	1,351,844
Long term debt	833,988	244,418
Lease liabilities	984,131	807,961
	36,037,504	**31,155,661**

8. (A) Net Interest Income

Net Interest Income	**86,850,195**	**66,721,662**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

9. NET FEE AND COMMISSION INCOME

	2025 TZS '000	2024 TZS '000
Fee and commission income		
Ledger fee	1,145,686	1,075,500
Card income	1,232,196	2,372,234
Remittance income	1,689,852	1,554,991
Commitment fees	1,730,332	1,538,427
Other fees	2,549,550	917,040
Commission on Bancassurance	235,433	177,225
	8,583,049	**7,635,417**
Fees and commission expense		
Interbank transaction fees	(81,708)	(34,358)
Net fee and commission income	**8,501,341**	**7,601,059**

Contract Balances

Due to the shortterm nature of service contracts, the Bank generally does not recognise contract assets. The contract liabilities primarily relate to the non-refundable up-front fees received from customers on opening an asset management account. This is recognised as revenue over the period for which a customer is expected to continue receiving asset management services.

The following table provides information about receivables and contract liabilities from contracts with customers.

Contract liabilities, which are included in other liabilities – (Deferred commission)

	2025 TZS '000	2024 TZS '000
Contract liabilities, which are included in other liabilities – Note 27 (Deferred lending commitment fees)	1,183,760	814,847

Management applies judgement in:

- distinguishing whether a fee falls under IFRS 9 or IFRS 15;
- determining whether obligations are satisfied at a point in time or over time;
- identifying standready obligations;
- assessing the appropriate level of revenue disaggregation.

The amount of TZS 231 million included in contract liabilities at 31 December 2024 has been recognised as revenue for the year ended 31 December 2025 (2024: TZS 805 million).

10. NET TRADING INCOME

	2025 TZS '000	2024 TZS '000
Trading income	8,436,213	7,695,570
Revaluation	1,053	40,893
	8,437,266	**7,736,463**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

11. OTHER OPERATING INCOME

	2025 TZS '000	2024 TZS '000
Recovery income from written-off loans	14,477,952	6,818,662
Gain on disposal of PPE	2,757	-
Other income	34,195	174,468
	14,514,904	**6,993,130**

12. DIVIDEND INCOME

Dividend income-Tanzania Mortgage Refinancing Company Limited	**10,310**	**22,556**

13. OPERATING EXPENSES

Staff costs		
Salaries and wages	15,488,681	13,240,590
Defined contribution plans	1,556,080	1,237,722
Skills and Development levy	564,190	445,140
Medical and Life Insurance	836,456	739,540
Staff Training and HR systems costs	133,479	135,232
Other staff costs	1,477,963	1,094,401
	20,056,849	**16,892,625**
Premises and equipment costs		
Utilities	275,484	215,920
Security	352,089	396,339
Service charge and other costs	348,421	582,828
	975,994	**1,195,087**
General administrative expenses		
Marketing expenses	811,392	497,572
Auditor's fees*	152,317	199,429
Directors' emoluments	622,515	337,794
Legal and consultancy fees	883,585	796,322
Management fees	1,753,594	1,684,642
CSR-Corporate Social Responsibility	185,815	26,818
Insurance	1,435,161	1,294,000
Network costs	1,848,823	1,932,478
Card expenses	2,995,778	2,167,255
Kamilisha expenses***	19,730,450	5,980,844
License fees	4,404,809	3,691,130
Bancassurance expenses**	9,625	22,971
Provision for legal cases	-	879,990
Unclaimable VAT expenses	2,157,145	2,215,829
Disposal of property and equipment	-	127,689
Loss on Disposal of ROU asset	-	9,062
Other expenses****	2,407,470	4,518,105
	39,398,479	**26,381,930**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

13. OPERATING EXPENSES (Continued)

	2025 TZS '000	2024 TZS '000
Depreciation and Amortisation		
Depreciation on property and equipment (Note 20)	1,529,307	898,855
Depreciation on right of use asset (Note 20)	2,197,905	2,059,610
Amortisation of intangible assets (Note 21)	790,938	1,512,700
	4,518,150	**4,471,165**

*Auditors' remuneration represents the fees that have been charged for the financial statements audit for the current and previous financial year.

**Bancassurance audit services constitute other services provided by KPMG for the current and previous year.

***Kamilisha expenses relate to licence fees paid in relation to the digital loan platform as well as commission fees to partners engaged on running the business. TZS 19,730 million (2024: TZS 5,981 million)

****Other expenses, these consist of repair and maintenance TZS 377 million (2024: TZS 59 million), office running expenses, bad debts recovery costs TZS 549 million (2024: TZS 392 million), deposit insurance TZS 757 million (2024: TZS 791 million).

14. TAXATION

(a) Income tax expense

	2025 TZS '000	2024 TZS '000
Income tax - current year	3,102,257	3,369,048
Income tax - prior year	34,436	-
Deferred tax current year	(1,053,746)	(229,587)
Income tax expense	**2,082,947**	**3,139,461**

(b) Tax reconciliation

The tax on the Bank's profit/(loss) before income tax differs from the theoretical amount using the basic rate as follows:

	2025 TZS '000	2024 TZS '000
	22,144,315	**18,303,151**
Computed tax using the applicable corporation tax rate at 30%	6,643,295	5,490,945
Effect on non-allowable income	(5,591,182)	(3,470,271)
Effect on non-deductible expenses	996,398	190,507
Recoveries of PY rejected write-offs	-	(519,756)
Impairment/provision adjustment - non-P&L movement	-	1,654,687
Prior year income tax charge	34,436	-
Other adjustments	-	(206,651)
	2,082,947	**3,139,461**

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

14. TAXATION (Continued)

(c) Current income tax recoverable

	2025 TZS '000	2024 TZS '000
At 1 January	(2,461,684)	(2,500,938)
Income tax expense (Note 14(a))	3,136,693	3,369,048
Tax paid	(4,883,096)	(3,329,794)
At 31 December	**(4,208,087)**	**(2,461,684)**

15. CASH AND BALANCES WITH BANK OF TANZANIA

	2025 TZS '000	2024 Restated TZS '000
Cash on hand	13,442,812	8,196,912
Short term money market placements		
Balances with Bank of Tanzania:		
-Restricted balances (Statutory Minimum Reserve*)	38,996,842	34,427,661
-Unrestricted balances	48,619,230	43,902,642
	101,058,884	**86,527,215**

*The Statutory Minimum Reserve is non-interest earning and is based on the value of deposits as adjusted for Bank of Tanzania requirement and is not available for day-to-day operations.
**Restatements done on prior year balances. Refer to Note 37.

16. LOANS AND ADVANCES TO BANKs

	2025 TZS '000	2024 TZS '000
Balances with other Banks	59,226,553	58,319,354
Placements:		
Due within 90 Days	45,355,914	2,453,267
Due after 90 days	290,058	-
After 1 year	-	265,534
	104,872,525	**61,038,155**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

17. LOANS AND ADVANCES TO customerS

(a) Net Loans

	2025	2024
	TZS '000	TZS '000
Overdrafts	177,686,926	168,266,930
Secured term loans	328,589,857	257,178,098
Digital lending	18,420,548	15,821,972
Unsecured term loans	35,049,075	6,228,749
Gross loans and advances	**559,746,406**	**447,495,749**
Less: Impairment losses on loans and advances	(31,770,347)	(12,472,714)
Net loans and advances	**527,976,059**	**435,023,035**
Current	**263,631,693**	**264,266,645**
Non-current	**264,344,366**	**170,756,390**

(b) Non-performing loans and advances

Non-performing loans and advances net of impairment losses and estimated value of securities are disclosed in Note 4(a).

	2025	2024
	TZS '000	TZS '000
Interest on impaired loans and advances which has not yet been received in cash	**1,755,149**	**1,813,143**

(c) Impairment losses on loans and advances movement

2025:	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Total
	TZS '000	TZS '000	TZS '000
Movements in ECL with P&L impact			
Net remeasurement of loss allowance	11,784,559	32,563	11,817,122
New financial assets originated or purchased	2,911,308	-	2,911,308
Recoveries and impairment released	(1,663,346)	-	(1,663,346)
	13,032,521	**32,563**	**13,065,084**
Recoveries and impairment no longer required			
ECL of stage 3 Interest income	2,278,099	-	2,278,099
Write-off	16,075,568	-	16,075,568
	31,386,188	**32,563**	**31,418,751**

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

17. LOANS AND ADVANCES TO customerS (Continued)

(c) Impairment losses on loans and advances movement (continued)

2024:	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Total
	TZS '000	TZS '000	TZS '000
Movements in ECL with P&L impact			
Net remeasurement of loss allowance	4,021,917	(75,060)	3,946,857
New financial assets originated or purchased	1,043,504	-	1,043,504
Derecognised/paid off	(1,150,699)	-	(1,150,699)
Recoveries and impairment released	(2,461,237)	-	(2,461,237)
	1,453,485	**(75,060)**	**1,378,425**
Direct P&L charges in the yearECL of stage 3 Interest income	3,544,662	-	3,544,662
Write-offs	16,952,856	-	16,952,856
	21,951,003	**(75,060)**	**21,875,943**

Movement of Impairment losses on loans and advances:

	2025	2024
	TZS '000	TZS '000
Balance at 1 January	12,472,714	38,724,338
Charge for the year	31,386,188	21,951,003
Financial assets derecognized	(1,663,346)	(2,461,237)
Write offs	(10,425,209)	(45,741,390)
Balance at 31 December	**31,770,347**	**12,472,714**

18. INVESTMENT IN GOVERNMENT SECURITIES

(a) Government securities at amortised cost

	2025	2024
	TZS '000	TZS '000
Treasury bills (current)	15,948,915	66,387,780
Treasury bonds (current)	2,853,757	13,586,571
Treasury bonds (non-current)	129,740,932	85,701,671
	148,543,604	**165,676,022**

Treasury Bills and Bonds are debt securities issued by the Government of the United Republic of Tanzania and during the year the effective interest rate was 12.48% (2024: 11.65%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

18. INVESTMENT IN GOVERNMENT SECURITIES (Continued)

(a) Government securities at amortised cost (Continued)

The movement of financial assets measured at amortised cost during the year was as follows:

	2025 TZS '000	2024 TZS '000
At 1 January	165,676,022	151,753,391
Additions	61,203,680	78,180,608
Matured securities	(84,583,590)	(72,538,553)
Interest receivable	6,247,492	8,280,576
At 31 December	**148,543,604**	**165,676,022**

(b) Government securities measured at fair value through profit and loss (FVTPL)

The Bank has invested in various treasury bonds that are designated at fair value through Profit or Loss. The movement in these securities is as follows:

Treasury Bonds	2025 TZS '000	2024 TZS '000
At 1 January	1,688,839	3,192,275
Additions	-	1,500,000
Disposals	(1,688,839)	(3,192,275)
Fair value change	-	11,220
Interest receivable	-	177,619
At 31 December	**-**	**1,688,839**
Non-current	**-**	**1,688,839**

19. EQUITY INVESTMENT

Investment at fair value through other comprehensive income (FVOCI)

Company name	2025 TZS '000	2024 TZS '000
Tanzania Mortgage Refinancing Company Limited	**1,013,750**	**1,013,750**

Tanzania Mortgage Refinance Company (TMRC) is a financial institution owned by banks and non-bank institutions with the sole purpose of supporting banks to do mortgage lending by refinancing banks' mortgage portfolios.

As at 31 December 2025, the Bank had 625,000 shares (2024: 625,000) in TMRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

20. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSET

2025	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Computers	Motor vehicles	Capital work in progress	Right of use assets*	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost							
At 1 January 2025	5,728,232	8,083,682	968,397	774,728	-	10,433,362	25,988,401
Additions	122,397	896,089	86,933	117,000	227,031	3,119,601	4,569,051
Disposal	(158,131)	-	(9,000)	-	-	-	(167,131)
Modification	-	-	-	-	-	1,274,253	1,274,253
At 31 December 2025	**5,692,498**	**8,979,771**	**1,046,330**	**891,728**	**227,031**	**14,827,216**	**31,664,574**
Depreciation							
At 1 January 2025	3,016,002	4,732,609	813,008	542,465	-	3,169,220	12,273,304
On disposals	(158,130)	-	(2,757)	-	-	-	(160,887)
Charge for the year	612,617	706,999	76,880	132,811	-	2,197,905	3,727,212
At 31 December 2025	**3,470,489**	**5,439,608**	**887,131**	**675,276**	**-**	**5,367,125**	**15,839,629**
Net book value at 31 December 2025	**2,222,009**	**3,540,163**	**159,199**	**216,452**	**227,031**	**9,460,091**	**15,824,945**

* Right of use assets comprises of leased branch premises, residential apartments and head office.

2024	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Computers	Motor vehicles	Capital work in progress	Right of use assets*	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost							
At 1 January 2024	4,100,109	7,773,583	1,104,155	619,128	-	12,239,402	25,836,377
Additions	2,491,187	1,401,022	22,393	171,600	-	2,005,444	6,091,646
Disposal	(863,064)	(1,090,923)	(158,151)	(16,000)	-	(3,811,484)	(5,939,622)
At 31 December 2024	**5,728,232**	**8,083,682**	**968,397**	**774,728**		**10,433,362**	**25,988,401**
Depreciation							
At 1 January 2024	3,582,284	5,261,478	901,632	460,284	-	4,214,631	14,420,309
On disposals	(795,352)	(996,961)	(154,619)	(15,968)	-	(3,105,021)	(5,067,921)
Adjustment	-	-	(37,549)	-	-	-	(37,549)
Charge for the year	229,070	468,092	103,544	98,149	-	2,059,610	2,958,465
At 31 December 2024	**3,016,002**	**4,732,609**	**813,008**	**542,465**	**-**	**3,169,220**	**12,273,304**
Net book value at 31 December 2024	**2,712,230**	**3,351,073**	**155,389**	**232,263**	**-**	**7,264,142**	**13,715,097**

* Right of use assets comprises of leased branch premises and head office.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)
21. INTANGIBLE ASSETS

Intangible assets relate to software.

2025	Computer Software	Capital work in progress	Total
	TZS '000	TZS '000	TZS '000
Cost			
At 1 January 2025	**12,474,255**	**1,007,293**	**13,481,548**
Additions	1,521,765	717,644	2,239,409
Reclassification	304,489	(304,489)	-
Write-off	-	(106,613)	(106,613)
At 31 December 2025	**14,300,509**	**1,313,835**	**15,614,344**
Amortisation			
At 1 January 2025	**10,344,883**	-	**10,344,883**
Amortisation for the year	790,938	-	790,938
At 31 December 2025	**11,135,821**	-	**11,135,821**
Carrying amount at 31 December 2025	**3,164,688**	**1,313,835**	**4,478,523**
2024			
Cost			
At 1 January 2024	**11,487,534**	515,553	**12,003,087**
Additions	492,325	986,136	1,478,461
Reclassification	494,396	(494,396)	-
At 31 December 2024	**12,474,255**	**1,007,293**	**13,481,548**
Amortisation			
At 1 January 2024	**8,832,183**	-	**8,832,183**
Amortisation for the year	1,512,700	-	1,512,700
At 31 December 2024	**10,344,883**	-	**10,344,883**
Carrying amount at 31 December 2024	**2,129,372**	**1,007,293**	**3,136,665**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

22. DEFERRED TAX ASSET

2025	Balance at 1 January TZS '000	Recognized in profit or loss TZS '000	Balance at 31 December TZS '000
Property and Equipment	198,434	(76,100)	122,334
Impairment losses on loans and advances	11,256,335	959,602	12,215,937
Provisions	640,395	26,569	666,964
Financial assets measured at fair value through other comprehensive income (FVOCI)	(94,399)	-	(94,399)
Right of use of asset (IFRS 16)	561,338	143,675	705,013
	12,562,103	**1,053,746**	**13,615,849**

2024	Balance at 1 January TZS '000	Recognized in profit or loss TZS '000	Balance at 31 December TZS '000
Property and Equipment	(3,872)	202,306	198,434
Impairment losses on loans and advances	11,679,814	(423,479)	11,256,335
Provisions	312,565	327,830	640,395
Financial assets measured at fair value through other comprehensive income (FVOCI)	(80,890)	(13,509)	(94,399)
Right of use of asset (IFRS 16)	424,899	136,439	561,338
	12,332,516	**229,587**	**12,562,103**

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

23. OTHER ASSETS

	2025 TZS '000	2024 TZS '000
Prepayments	2,746,931	2,087,088
Tax receivables	1,200,000	1,200,000
Items in the process of collection	47,436	-
Balance with mobile network operators	18,262,136	9,801,454
Other receivables	287,466	303,272
	22,543,969	**13,391,814**

All other assets are current.

24. DEPOSITS FROM BANKS

Due within 90 Days	**64,844,761**	**57,529,859**

25. DEPOSITS FROM CUSTOMERS

Current savings	170,198,830	128,149,205
Savings deposits	68,158,041	62,083,562
Time deposits	368,744,218	357,166,470
Others	3,083,206	1,522,623
	610,184,295	**548,921,860**
Current	**304,313,550**	**432,016,648**
Non-current	**305,870,745**	**116,905,212**

26. provisions

At 1 January	879,990	-
Charge during the year	-	879,990
At 31 December	**879,990**	**879,990**

The Bank is involved in various legal proceedings arising from its normal course of business. Based on legal advice and management's assessment, a provision of TZS 880 million has been recognized. This provision represents the best estimate of the probable economic outflow required to settle these obligations. The timing of settlement for these legal cases is uncertain and depends on the progression of the judicial process. The Bank continues to monitor developments and will adjust the provision as necessary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

27. OTHER LIABILITIES

	2025	2024
	TZS '000	TZS '000
Accruals	8,496,972	8,029,492
Deferred loan administration fees	1,183,760	814,847
Statutory liabilities	3,294,823	3,265,690
Visa Settlement	1,457,310	2,884,824
Provisions for loan commitments*	165,875	133,311
Bankers cheques payable	345,239	335,640
Items in the process of collection	-	41,936
Other accounts payables	849,577	182,055
	15,793,556	**15,687,795**

All other liabilities are current.
*This represents impairment allowance for loan commitments and financial guarantee contracts.

28. LONG TERM BORROWINGS

	2025	2024
	TZS '000	TZS '000
TMRC	3,276,176	3,276,176
FMO	12,895,004	-
	16,171,180	**3,276,176**
Maturity:		
Less than one year	1,883,696	26,176
One to five years	14,287,484	3,250,000
	16,171,180	**3,276,176**
Loan movement schedule		
At 1 January	3,276,176	3,276,176
Proceeds	12,425,000	-
Interest paid	(468,635)	(244,418)
Interest expenses	833,988	244,418
Translation differences	104,651	-
At 31 December	**16,171,180**	**3,276,176**

Tanzania Mortgage Refinance Company Limited (TMRC)

The long-term borrowing of TZS 3,250 million was granted in two tranches of which(i) TZS 1,800 million was granted on 12 August 2022 with an effective rate of 7.5% for tenure of 5 years and (ii) TZS 1,450 million was granted on 30th August 2022 with an effective rate of 7.5% for a tenure of 3 years. The interest on the facility is repayable on a quarterly basis and the principal at maturity. The outstanding balance as at 31 December 2023 was TZS 3.28 billion (2022: TZS 3.28 billion).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)
28. LONG TERM BORROWINGS (CONTINUED)

FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.)

In August 2025, the Bank entered into a USD 10 million five-year senior debt facility with FMO. The facility is unsecured, and interest and principal are payable on a semi-annual basis. The first tranche of USD 5 million was drawn down in June 2025. The effective interest rate applicable to the facility is 6.69% per annum. As at 31 December 2025, the outstanding balance under the facility was USD 5 million.

29. SHARE CAPITAL AND RESERVES

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

(a) Authorized share capital

2025	Number of shares	TZS '000
Authorized - Ordinary A Class Shares		
At 31 December 2025 (par value TZS 1,000,000 each)	50,000	50,000,000
Authorized - Ordinary B Class Shares		
At 31 December 2025 (par value TZS 1,000,000 each)	50,000	50,000,000

2024	Number of shares	TZS '000
Authorized - Ordinary A Class Shares		
At 31 December 2024 (par value TZS 1,000,000 each)	50,000	50,000,000
Authorized - Ordinary B Class Shares		
At 31 December 2024 (par value TZS 1,000,000 each)	50,000	50,000,000

(b) Issued and fully paid-up share capital

	Number of shares	Share Capital	Share Premium
2025		TZS '000	TZS '000
Ordinary A Class Shares			
1 January 2025 (par value TZS 1,000,000 each)	3,554	3,554,016	31,433,751
At 31 December	3,554	3,554,016	31,433,751
2025			
Ordinary B Class Shares			
1 January 2025 (par value TZS 1,000,000 each)	20,400	20,400,000	94,477
Additional Capital	13,800	13,800,000	-
At 31 December	34,200	34,200,000	94,477
Total		37,754,016	31,528,228

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

29. SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Issued and fully paid up share capital (continued)

2024	Number of shares	Share Capital TZS '000	Share Premium TZS '000
Ordinary A Class Shares			
1 January 2024 (par value TZS 1,000,000 each)	2,792	2,792,000	17,995,751
Additional capital	762	762,016	13,438,000
At 31 December	3,554	3,554,016	31,433,751
2024			
Ordinary B Class Shares			
1 January 2024 (par value TZS 1,000,000 each)	20,400	20,400,000	94,477
At 31 December	20,400	20,400,000	94,477
Total		23,954,016	31,528,228

(c) Statutory reserve

Where impairment losses required by legislation or regulations exceed those computed under IFRS accounting standards, the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits. Conversely, when the legislated impairment loss requirement is less that IFRS 9 ECL, the decrease is released from the statutory reserve. These reserves are not distributable. During the year the statutory reserve amounted to NIL (2024: TZS 7.8 billion).

(d) Fair Value Reserve

Fair value reserve comprises of the cumulative net change in the fair value of equity securities designated at FVOCI; and the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified.

	2025 TZS '000	2024 TZS '000
Equity investment fair value reserve movement:		
At 1 January	270,004	270,004
Net FV changes during the year	-	-
At 31 December	270,004	270,004
Treasury bond fair value reserve movement:		
At 1 January	-	15,744
Net FV changes during the year	-	(6,061)
Transfer to Profit or Loss	-	(16,430)
Tax on the FV	-	6,747
Net movement	-	(15,744)
At 31 December	-	-
Total Fair Value Reserve	270,004	270,004

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

30. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Net cash flows generated from/(used in) operating activities

	Note	2025 TZS '000	2024 Restated TZS '000
Cash flows from operating activities			
Profit before income tax		22,144,317	18,303,151
Adjustments for:			
Depreciation on Property & Equipment		1,528,801	898,855
Depreciation on right of use asset	20	2,197,905	2,059,610
Amortisation of intangible asset	21	790,938	1,512,700
Write-off of intangible asset		106,613	-
Net interest income**	8(a)	(86,850,195)	(66,721,662)
Disposal of Property and Equipment		(2,757)	127,689
Disposal of ROU asset		-	706,463
Disposal of Lease liability		-	(697,401)
Net impairment on loans and advances		31,418,751	21,875,943
Dividend income		(10,310)	(22,556)
Provision for legal cases		-	879,990
Exchange (gain)/loss on cash and cash equivalent		1,554,996	1,564,292
Exchange loss on borrowings		104,651	-
Exchange loss on lease liability		(135,164)	(690,986)
		(27,151,454)	**(20,203,912)**
Increase/(decrease) in operating assets			
Movement in loans and advances to customers		(123,109,132)	(15,781,191)
Investment in government securities - amortised		18,906,543	(7,375,770)
Investment in government securities - FVOCI		-	1,523,277
Investment in government securities - FVTPL		1,688,839	1,758,527
Due from group companies		(2,097,872)	(3,964,898)
Loans and advances to Banks		9,598	6,528,381
Net change in Statutory Minimum Reserve		(3,655,345)	(2,430,553)
Other assets		(9,062,783)	(5,840,350)
		(117,320,152)	**(25,582,577)**
Increase/decrease) in operating liabilities			
Customer deposits		59,809,044	(1,583,662)
Deposits from banks		7,308,811	37,712,000
Balances due to group companies		32,052,431	5,327,425
Other liabilities		105,761	6,380,984
		99,276,047	**47,836,747**
Cash inflows generated from operating activities		**(45,195,559)**	**2,050,258**

*Restatements done on prior year balances. Refer to Note 37 for further explanations.

** Interest on long-term borrowing was previously presented under financing activities it is now presented under operating activities to achieve better presentation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

30. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of cash and cash equivalents

	Note	2025 TZS '000	2024 *Restated TZS '000
Cash and balances with Bank of Tanzania – excluding SMR*		69,861,410	58,985,086
Items in the process of collection	23	47,436	(41,936)
Loans and advances to banks	16	104,582,467	60,772,621
		174,491,313	**119,715,771**

*Cash and balances with the Bank of Tanzania comprise cash on hand, short term money market placements and balances with the Bank of Tanzania including 20% of Statutory Minimum Reserve.

**Restatements done on prior year balances. Refer to Note 37.

31. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS

In the ordinary course of business, the bank conduct business involving guarantees, acceptances and letters of credit. These facilities are offset by corresponding obligations of third parties. At the period end, the contingent liabilities were as follows:

	2025 TZS '000	2024 TZS '000
Contingencies related to:		
Letters of credit	49,513,917	23,063,380
Guarantees	52,454,783	41,212,602
Acceptances/undrawn balance	66,135,206	61,681,115
	168,103,906	**125,957,097**

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

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

An **acceptance** is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

32. CONTINGENT LIABILITIES

As at 31 December 2025, the Bank had a contingent liability of TZS 29.8 billion arising from additional tax assessments for the 2022 to 2024 years of assessment, relating to the Tanzania Revenue Authority's interpretation of the thin capitalisation rules applicable mainly to the Bank's debt-to-equity ratio and write-offs disallowance; no provision has been recognised as management has determined that an outflow of economic benefits is not probable at the reporting date, and the Bank continues to engage with the tax authority, with the Directors reassessing the position as further information becomes available.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

33. RELATED PARTY TRANSACTIONS

Identification of related parties
The Bank has no investments in subsidiaries, joint ventures, or associates. The names of directors are listed in the directors' report.

Transactions with related parties
Transactions relate to loans and advances and deposits which are issued or received from the related parties at market interest rates. Other transactions relate to remuneration to directors and key management personnel. The Bank maintains banking facilities with I&M Bank Limited and other subsidiaries of I&M Bank Limited for transactional and trading purposes.

(a) Directors and key management personnel: Loans

	2025	2024
	TZS '000'	TZS '000'
Loans outstanding at the beginning of the year	9,457,081	6,939,345
Loans issued during the year	42,832,657	12,942,925
Loan repayments during the year	(17,004,866)	(10,425,189)
Loans outstanding at the end of the year	**35,284,872**	**9,457,081**
Interest income earned	**3,536,479**	**947,850**

(b) Directors and key management personnel: Deposits

Deposits at the beginning of the year	847,022	4,353,693
Deposits received during the year	4,669,242	5,355,359
Deposits repaid during the year	(4,702,524)	(8,862,030)
Deposits at the end of the year	**813,740**	**847,022**
Interest expense	**73,237**	**76,232**

(c) Amount due from/to related companies were as follows:

Amounts due from related parties:		
I&M Bank Limited (The parent)	3,252,586	2,469,552
I&M Bank Rwanda Plc- Sister company	859,550	356,912
I&M Bank (Uganda) Limited- Sister company	-	2,452,246
Bank One Limited- Sister company	5,716,079	2,451,633
All balances are current and unsecured	**9,828,215**	**7,730,343**
Amounts due to related parties:		
I&M Bank Limited (The Parent)	77,338,129	47,989,875
I&M Bank Rwanda Plc- Sister company	3,825,365	2,510,834
Bank One Limited- Sister company	-	115,653
I&M Realty (Tanzania) Limited- Sister company	1,751,511	246,212
All balances are current and unsecured	**82,915,005**	**50,862,574**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Management fees

	2025 TZS '000	2024 TZS '000
Management fees paid to I&M Bank Limited (The parent)	**1,753,594**	**1,684,642**

(e) Key management compensation

Salaries and other short-term benefits	4,244,111	3,858,283
Post-employment benefits	424,411	385,828
	4,668,522	**4,244,111**

Key management comprise of Chief Executive officer and all heads of departments.

(f) Directors' remuneration

Directors' remuneration is made up of short-term benefits

	2025 TZS '000	2024 TZS '000
Mr. Madabhushi Soundararajan	48,706	27,618
Mr.Pratul H.Shah	-	26,206
Mr.Shameer Patel	74,221	41,941
Mr. Alan Mchaki	59,706	34,882
Emmanuel Johannes	56,471	28,324
Ambassador Amina Ali	13,338	22,324
Raeesha Fakira	50,294	22,324
Christopher Kihara Maina	69,221	40,529
Jamhuri Ngelime	68,235	29,382
Paresh Manek	61,956	34,882
Mr. Christian Shirima	69,647	29,382
Ms. Nancy Riwa	50,721	-
	622,516	**337,794**

The loans issued to directors and key management during the year were unsecured. There were no loans issued to non-executive directors. Loans issued to the executive directors and key management are in line with those provided to other employees in accordance with the Banks policy. The Bank offers ordinary loans, vehicle loans and mortgage loans to staff at a rate of 7% and 8% per annum respectively, in the average period of 9 years. The loans are initially recognised at fair value and the difference is taken to a prepaid employee expense which is included in other assets and is expensed over the term of the loan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

34. CAPITAL COMMITMENTS

As at 31 December 2025, the Bank had capital commitments of TZS 1,540 million (2024: TZS 3,479 million) in respect of equipment and information technology. The expenditure committed as at the end of reporting period but not yet incurred is as follows:

	2025	2024
	TZS '000	TZS '000
Capital commitments	**1,540,866**	**3,478,750**

35. LEASES

See notes on financial risk management. Disclosure relating to lease commitments has been included in Note 4 (b), Liquidity risk.

	2025	2024
	TZS'000	TZS'000
(i) Lease liabilities		
Expected to be settled within 12 months after the year end	3,190,152	394,864
Expected to be settled more than 12 months after the year end	6,370,298	6,657,801
	9,560,450	**7,052,665**
Payments of principal portion of the lease liability	1,750,905	1,604,813
Interest paid on lease liabilities	984,131	807,961
The total cash outflow for leases in the year	**2,735,036**	**2,412,774**
(ii) Lease liability movement		
Balance at 1 January	7,052,665	8,040,421
Additions	3,119,601	2,005,444
Interest expense	984,131	807,961
Lease payments	(2,735,036)	(2,412,774)
Modification of leases	1,274,253	-
Lease liability disposal	-	(697,401)
Translation difference	(135,164)	(690,986)
Balance at 31 December	**9,560,450**	**7,052,665**
(iii) Maturity analysis		
Non-cancellable operating lease commitments		
Less than one year	2,651,473	544,596
Between one and five years	10,714,017	9,469,178
Total undiscounted lease liability	**13,365,490**	**10,013,774**
(iv) Amounts recognised in profit or loss		
Interest on lease liabilities (Note 8)	984,131	807,961
Depreciation of right to use asset (Note 20)	2,197,905	2,059,610
	3,182,036	**2,867,571**

(v) Extension and termination options

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

35. LEASES (continued)

The extension options held are exercisable only by the bank and not by the lessors. Termination options held are exercisable by both the bank and the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension or termination options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The bank has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of TZS 8.3 billion.

36. SUBSEQUENT EVENTS

Geopolitical Conflict in the Middle East (Strait of Hormuz)

Significant escalation in geopolitical tensions in the Middle East have contributed to heightened global market volatility. The situation remains fluid and the potential impact of these evolving circumstances including the possibility of higher fuel and logistics-related cost pressures, increased inflation uncertainty rates, and periods of foreign exchange and market volatility, associated with shifts in global risk sentiment, will be monitored and assessed into the year ahead. While the impacts to the company are yet to materialize, these developments arose after year-end and are considered non-adjusting events under IAS 10 Events after the Reporting Period. This development has not had any direct financial impact on I&M Bank (T) Limited up to the date of approval of these financial statements.

Given the Bank's lending activities in sectors reliant on imported fuel and raw materials, and its foreign currency denominated exposures, Management continues to monitor possible secondround effects on borrower cash flows, cost structures, and foreign exchange liquidity.

The event is treated as a nonadjusting subsequent event, and its future financial impact cannot be reliably quantified. The Bank remains wellcapitalised and liquid, supported by its established risk management framework.

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Bank and results of its operations.

37. CORRECTION OF ERRORS

(i) Cash and cash equivalent

The Bank of Tanzania issued Circular No. 1, on 29 May 2019, which introduced new requirements for the Statutory Minimum Reserve. Under the updated regulations, banks must maintain at least 80% of the required SMR balance in their clearing account at the Bank of Tanzania on a daily basis, while ensuring that the average balance over the maintenance period meets 100% of the required SMR amount. This adjustment allows banks daily access to up to 20% of their SMR balance while still complying with the regulatory requirements.

In 2025, the bank corrected its accounting policy to remove 80% of the SMR balance from being accounted for as cash and cash equivalents in its financial statements.

(ii) Interest on long term borrowings

Interest paid on long-term borrowings was initially classified under financing activities. However, for consistency and for purposes of better presentation in line with the nature of the Bank's operations, it has been reclassified to operating activities.

The following tables summarizes the impacts of the correction of errors on the Bank's statement of cash flows. There was no impact on the statement of financial position and statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)

37. CORRECTION OF ERRORS (CONTINUED)

The revised policy has been adopted for the financial statements as at 31 December 2025, impacting the opening balance of cash and cash equivalents as follows.

Statement of cash flows	As previously reported	Restatement adjustment	As restated
2024 TZS Millions	**TZS'000**	**TZS'000**	**TZS'000**
Profit before tax	**18,303,151**	**-**	**18,303,151**
*Other Items	52,379,528	(244,418)	52,135,110
Net change in Statutory Minimum Reserve	-	(2,430,553)	(2,430,553)
Net Cash used in operating activities	**70,682,679**	**(2,674,971)**	**68,007,708**
Net cash utilised in investing activities	**(5,542,107)**	**-**	**(5,542,107)**
*Interest on long term borrowings	(244,418)	244,418	-
Other Financing activities	(1,604,813)	-	(1,604,813)
Net cash generated from financing activities	**(1,849,231)**	**244,418**	**(1,604,813)**
Net increase/ (decrease) in cash and cash equivalent	**63,291,341**	**(2,430,553)**	**60,860,788**
Cash and cash equivalents beginning of period	85,530,851	(25,111,576)	60,419,275
Effect of exchange rate movements on cash held	(1,564,292)	-	(1,564,292)
Cash and cash equivalents at end of the year	**147,257,900**	**(27,542,129)**	**119,715,771**

38. ULTIMATE HOLDING COMPANY

The ultimate holding company of the Bank is I&M Group PLC which is incorporated in Kenya

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