EXIM BANK (TANZANIA) LIMITED

MARKET DISCIPLINE

31st DECEMBER 2025

Contents

Attestation

The Board of Directors hereby attests that the disclosures contained in the *Market Discipline 2025* document have been prepared in compliance with applicable regulatory requirements and supervisory guidelines.

Furthermore, the Board of Directors affirms its continued commitment to the **ongoing enhancement of the Bank's risk management system**, ensuring that it remains appropriate and proportionate to the Bank's complexity, nature, size, risk profile, and strategic objectives.

This attestation is made in the exercise of the Board's oversight responsibilities and reflects its dedication to transparency, sound governance, and effective risk management.

i. About this report

The purpose of this Market Discipline document is to provide assurance to all relevant stakeholders that the bank is adequately managing its business activities acting with the best interest of its stakeholders to enable them to make informed decisions regarding the bank's risk management. The document is aimed at enhancing transparency by providing timely and meaningful information on the bank's risk management strategies and operations. The disclosure requirements are complements to the minimum risk-based capital requirements and other quantitative requirements aimed at promoting timely reporting on the bank's risk management activities to all relevant stakeholders.

ii. Risk Management

The bank has in place an Enterprise Risk Management Framework (ERMF) which governs the way in which the bank identifies and manages its risks. It is based upon internally and externally verified best practice and experience, combined with implementation of regulatory requirements such as the Risk Management Guidelines for Banks and Financial Institutions issued by the Bank of Tanzania.

The ERMF's approach to managing risk therefore provides the mandatory basis for setting frameworks, policies and procedures as well as establishing appropriate risk practices throughout the bank. Furthermore, it defines the risk management process and sets out activities and tools, techniques and organizational arrangements to ensure that material risks in critical processes are identified and managed. It ensures that appropriate responses are in place to protect the bank and its stakeholders, whilst enabling the organizational design and business strategy of the bank.

1. Qualitative information about credit risk

1.1. How the business model translates into the components of the Bank's credit risk profile

Exim Bank Tanzania's business model, centered on corporate banking, retail banking, and treasury operations, directly shapes its credit risk profile through its core lending activities and financial intermediation role.

Through its principal function of extending credit to various sectors of the economy, the Bank is inherently exposed to credit risk, which arises from the possibility that borrowers may fail to meet their contractual repayment obligations. These defaults may be driven by both internal factors (such as weak borrower financial performance, poor governance, or inadequate risk management) and external factors (including macroeconomic instability, sector-specific downturns, or regulatory changes). Such events can lead to asset impairment, resulting in financial losses that adversely affect the Bank's profitability and capital adequacy. Overall, the Bank's credit risk profile is a function of the size, composition, and quality of its loan portfolio and off-balance-sheet exposures, reflecting how its strategic focus on different customer segments and financial products translates into varying levels and types of credit risk.

The translation of the business model into the Bank's credit risk profile can be further understood across its key segments:

- **Corporate Banking**: Lending to SMEs, large corporations, and government entities exposes the Bank to concentration risk and sectoral credit risk. The performance of these exposures is often linked to economic cycles, industry-specific conditions, and the financial strength of counterparties.
- **Retail Banking**: The provision of loans to individuals and small businesses introduces higher-volume, granular credit exposures. While diversification reduces concentration risk, this segment is susceptible to default risk stemming from income instability, employment conditions, and changes in interest rates.
- **Treasury Operations**: Although primarily focused on liquidity and market activities, treasury functions contribute to credit risk through counterparty exposures in interbank placements, foreign exchange transactions, and fixed income investments. These exposures depend on the creditworthiness of financial institutions and sovereign entities.

1.2. Criteria and approach used for defining credit risk management policy and for setting credit risk limits

The bank has in place Credit Risk Management policies and procedures which provide a framework for a structured and consistent approach to ensure that the credit risk profile of the bank is clearly defined, reviewed, understood and appropriately managed.

As part of the monitoring of credit risk, the Bank has in place appropriate indicators that provide early warning of an increased risk of future losses. Such indicators are forward-looking and could reflect potential sources of credit risk such as rapid deterioration of the economic environment or the introduction of new complex products.

Monitoring of limits is an integrated part of the Bank's activities. The results of these monitoring activities are included in the regular Credit Risk Committee and/or Risk Officer's reports. Credit risk control establishes well defined lines to communicate risk limits through policies, standards, and procedures that define responsibility and authority. The Bank shall apply various mitigating tools in minimizing exposure to various risks, while allowing a process to authorize exceptions or changes to risk limits when warranted.

Final review and approval of all credit in the Bank is vested on the Bank Board of Directors (The Board). The Board may delegate its credit approval authority as it may determine to be appropriate from time to time.

1.3. Structure and organization of credit risk management and control function

- **Credit Origination /Analysis** - responsible for receiving and appraising applications coming from customers, branches or business. It conducts credit appraisals both for Retail, SME and Corporates based on the fundamental requirements as stipulated under the Bank's Credit Policy, Credit Standard Operating Procedure and Environmental and Social Policy.
- **Credit Administration (CAD)** - responsible for reviewing credit approvals and collate all documentation required before disbursement. They handle the disbursement of credit facilities after due clearance by respective authorities. Additionally, they also liaise with Legal Department for documentation perfection before disbursement.

- **Credit Monitoring (CM)** - responsible for carrying out day to day monitoring of all credit facilities and ensure all customers are comply with the repayment schedule, covenants kept in offer letter and Environmental and Social compliance. It is responsible with monitoring of customer's account to ensure that drawings are within limits and promptly report to appropriate authority for immediate action. They are also responsible with recommendation for Downgrading of accounts into various defined categories as prescribed under the Banking and Financial Institutions (Management of Risk Assets) Regulations.
- **Credit MIS** - responsible for supporting credit by providing credit reports which include all regulatory reports, Management reports and Compliance reports in accordance with the approved Credit Standard Operating Procedure of the bank.
- **Internal Audit** - responsible for oversight of all aspects of the credit and credit risk dimensions. Within this context, they will carry audits of the credit risk function from time to time. Internal Audit will communicate to the relevant manager, senior managers and other groups as relevant to address the issues raised by their reviews**.**

1.4. Relationships between credit risk management, risk control, compliance and internal audit functions

- **First Line of Defense** The first line of defense comprises of all activities that are revenue generating and client facing areas and all corresponding support functions including Finance, Treasury, Technology, Operations, Human Resources etc. The first line of defense identifies and manages risks in activities and critical processes in which they are engaged as well as developing appropriate procedures and controls to govern these activities. The first line of defense establishes its own controls to mitigate risk particularly with respect to critical processes and operational activities as well as managing controls within specified tolerances. Control-related activities are considered first line and are permitted so long as they are within applicable limits established. All activities in the first line are subject to oversight from the relevant parts of the second and third lines.

- **Second Line of Defense** The second line of defense comprises of the Risk & Compliance Function together with some elements of Legal Risk. The mandate and independence of the second line of defense is established by virtue of the employee's role. The second line of defense establishes limits, rules and constraints under which first line activities are performed consistently with the Risk Appetite and monitors the performance of the first line against these limits and constraints

- **Third Line of Defense** The third line is comprised of the Internal audit function. They provide independent assurance to the Board and Management over the effectiveness of governance, risk management and control over current, systematic and evolving risks

1.5. Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

The Board Credit Committee and Board Audit Risk Management Committee and senior managements receive regular reports on quarterly basis from appropriate areas such as business units, group functions and internal audit.

The credit risk reports contain internal financial, operational, and compliance data, as well as external market information about events and conditions that are relevant to decision making in the credit risk area.

Reports are distributed to appropriate levels of management and to areas of the bank on which areas of concern may have an impact.

The bank has put in place an effective management information system (MIS) to monitor credit risk levels and facilitate timely analysis of the bank credit risks. Regular reporting of pertinent information that supports the proactive management of credit risk, assesses the bank's overall risk profile, and focuses on the material and strategic implications for the business.

2. Prudential Regulatory Limits

s/n	Metric	Amounts in TZS millions				
		Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	329,994.71	288,258.37	285,390.65	244,376.77	222,130.57
2	Tier 1	329,994.71	288,258.37	285,390.65	244,376.77	222,130.57
3	Total capital	351,983.88	310,986.27	309,855.09	267,047.62	246,929.35
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1,631,242.98	1,757,525.12	1,758,677.93	1,708,903.81	1,620,232.78
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	20.23%	16.40%	16.23%	14.30%	13.71%
6	Tier 1 ratio (%)	20.23%	16.40%	16.23%	14.30%	13.71%
7	Total capital ratio (%)	21.58%	17.69%	17.62%	15.63%	15.24%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5%)	9.58%	5.69%	5.62%	3.63%	3.24%
9	Total of bank CET1 specific buffer requirements (%)	8.50%	8.50%	8.50%	8.50%	8.50%
10	CET1 available after meeting the bank's minimum capital	12.00%	12.00%	12.00%	12.00%	12.00%
	Basel III leverage ratio					
11	Total Basel III leverage ratio exposure measure	3,006,565.10	2,662,333.84	2,614,592.57	2,478,191.58	2,354,904.51
12	Basel III leverage ratio (%) (Tier 1 Capital / Exposure Measure)	10.98%	10.83%	10.92%	9.86%	9.43%
	Liquidity Coverage Ratio					
13	Total high-quality liquid assets (HQLA)	753,938.09	539,063.86	432,706.87	373,302.41	366,942.23
14	Total net cash outflow	414,315.39	307,081.85	456,516.24	400,241.22	366,637.88
15	LCR (%)	182%	176%	114%	93%	100%
	Net Stable Funding Ratio					
16	Total available stable funding	2,105,186.86	1,829,561.29	1,707,703.47	1,578,541.28	1,513,523.36
17	Total required stable funding	1,469,934.99	1,349,718.04	1,283,070.11	1,287,378.79	1,229,479.54
18	NSFR (%)	143%	136%	133%	123%	123%

3. Composition of regulatory capital

Capital Adequacy returns as of 31 December 2025

S/No	Particulars	2025	2024
		Amount (TZS Millions)	**Amount (TZS Millions)**
1	**Common Equity Tier 1 capital (CET1): Instruments and reserves**		
2	Fully Paid-up Ordinary shares Capital	12,900.00	12,900.00
3	Share Premium arising from Ordinary shares	-	-
4	Retained earnings less foreseeable dividends	286,259.48	286,262.48
5	Other disclosed reserves;	-	-
6	Year-to-date profits of:		-
7	Fifty per cent of the year-to-date profits less foreseeable dividends where accounts are unaudited or;	-	-
8	One hundred percent of the year-to-date profits, less foreseeable dividends, where accounts have been audited subject to submission of the signed accounts to the Bank;	61,237.00	18,484.92
9	**CET 1 before Regulatory Adjustments**	**360,396.48**	**317,647.39**
10	**Regulatory adjustments applied to CET1:**	**30,401.77**	**29,389.02**
11	Year to date losses;	-	-
12	Goodwill;	-	-
13	Other intangible assets;	-	-
14	Deferred tax assets that rely on future profitability;	26,015.06	22,419.04
15	The amount of items where entities with which the bank has reciprocal cross holdings of Common Equity Tier 1 instrument that the Central Bank considers having been designed to inflate artificially the own funds of the bank:	-	-
16	The amount of items required to be deducted from Additional Tier 1 items that exceed the Additional Tier 1 capital of the bank.		-
17	Pre-paid expenses;	4,386.71	6,969.98
18	Pre-operating expenses.	-	-
19	**Available Common Equity Tier 1**	329,994.71	288,258.37
20	**Additional Tier 1 Capital**		
21	Non-cumulative Irredeemable Preference Shares	-	-
22	Share Premium arising from Non-cumulative Irredeemable Preference Shares	-	-
23	Other Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
24	**Additional Tier 1 Capital before regulatory adjustments**	**-**	**-**
25	**Regulatory adjustment applied to Additional Tier 1 capital**	**-**	**-**
26	The amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank.	-	-
27	Other Items Qualifying to be deducted from Additional Tier-1 Capital.	-	-
28	**Available Additional Tier 1 Capital**	**-**	**-**
29	**Available Tier 1 Capital**	329,994.71	288,258.37
30	**Tier 2 Capital**		
31	Qualifying Tier 2 capital instruments and subordinated loans that meet the conditions stipulated by the Bank.	21,989.17	22,727.90
32	Share premium arising from capital instruments and subordinated loans qualifying as Tier 2 Capital	-	-
33	Instruments issued by consolidate subsidiaries and held by third parties that met the criteria stipulated by the Bank.	-	-
34	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
35	**Available Tier 2 Capital**	21,989.17	22,727.90
36	**TOTAL CAPITAL (Tier Capital plus Tier 2 Capital).**	351,983.88	310,986.27
37	**Total Risk Weighted Assets (RWA) as BOT FORM 16-1 Schedule 15 (SUMMARY)**	1,631,242.98	1,757,525.12
38	**Capital Ratios and buffers (in percentage of risk weighted assets)**		**0**
39	CET1 to total RWA	**20.23%**	**12.67%**
40	Tier-1 capital to total RWA	**20.23%**	**12.67%**
41	Total capital to total RWA	**21.58%**	**14.06%**
42	Capital conservation buffer	**9.58%**	**2.06%**
43	**Minimum capital requirements prescribed by the Bank of Tanzania**		
44	CET1 to total RWA	**8.50%**	**8.50%**
45	Tier-1 capital to total RWA	**10.00%**	**10.00%**
46	Total capital to total RWA	**12.00%**	**12.00%**
47	Capital conservation buffer	**2.50%**	**2.50%**

4. Credit Quality of assets

	a	b	c	d
	Gross carrying values of: (in TZS millions)		**Allowances/ impairments**	**Net values (a+b-c)**
	Defaulted exposures	**Non-defaulted exposures**		
Loans	33,966.39	1,382,229.73	21,376.89	1,394,819.23
Debt securities	-	368,023.58	-	368,023.58
Off balance sheet items	-	413,685.20	-	413,685.20
Total	**33,966.39**	**2,163,938.50**	**21,376.89**	**2,176,528.00s**

5. Credit risk exposure and credit risk mitigation effects

	(in TZS millions)	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Asset classes	On- balance sheet amount	Off- balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	752,443.59	-	752,443.59	-	-	0%
2	Public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks and financial institutions	435,686.37	-	435,686.37	-	87,401.94	6%
5	Corporates and securities firms	889,292.31	-	889,292.31	-	831,579.35	59%
6	Retail	166,552.65	-	166,552.65	-	68,508.80	5%
7	Residential real estate	29,002.79	-	29,002.79	-	8,700.84	1%
8	Commercial real estate	69,676.22	-	69,676.22	-	17,296.62	1%
9	Defaulted exposures	15,041.32	-	15,041.32	-	16,976.40	1%
	Other Assets	276,196.28	413,685.20	276,196.28	-	384,684.97	27%
10	**Total**	**2,633,891.52**	**413,685.20**	**2,633,891.52**	**372,244.49**	**1,415,148.92**	**100%**

6. Exposures by asset classes and risk weights

Asset Classes (in TZS millions)	**Risk Weights**											**Total credit exposure amount (post-CCF and post-CRM)**
	0%	**20%**	**25%**	**30%**	**40%**	**50%**	**70%**	**75%**	**100%**	**150%**	**1250%**	
Sovereigns and their central banks	752,443.59	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Banks and financial institutions	-	434,804.15	-	-	-	882.23	-	-	-	-	-	87,401.94
Corporates and securities firms	57,079.98	-	-	-	-	1,265.95	-	-	830,946.37	-	-	831,579.35
Retail	53,448.03	-	-	-	-	65,278.66	-	47,825.96	-	-	-	68,508.80
Residential real estate	-	-	-	29,002.79	-	-	-	-	-	-	-	8,700.84
Commercial real estate	489.72	-	69,186.50	-	-	-	-	-	-	-	-	17,296.62
Defaulted exposures	-	-	-	-	-	-	-	-	11,171.15	3,870.16	-	16,976.40
Other Assets	154,208.79	2,210.29	86,680.79	22,279.06	-	54,345.70	-	-	328,716.15	-	-	384,684.97

7. Additional disclosures related to the credit quality of assets

7.1 Qualitative disclosures

7.1.1 Risk Classification of Loans and Advances

The Bank aligns the classification criteria as prescribed by Regulators (Bank of Tanzania). In the determination of the classification of accounts, performance is the primary consideration. All accounts are classified into five categories as follows: -

- Current
- Especially Mentioned
- Sub-standard
- Doubtful
- Loss

The Banking and Financial Institutions (Management of Risk Assets) Regulations, 2014 defined Non-Performing Assets/loans as any credit accommodation for which contractual obligation for repayment is past due for more than ninety days or is classified as substandard, doubtful or loss under the criteria prescribed in Regulation 11 and is placed on a non-accrual basis. Non-performing credit accommodation include substandard, doubtful, and loss categories and be classified by the bank according to the criteria prescribed in the Banking and Financial Institutions (Management of Risk Assets) Regulations, 2014

The Bank classifies the loan and advances accounts using quantitative approach as follows

Number of days past due	Classification
0-30	Current
31-90	Especially Mentioned
91-180	Substandard
181-360	Doubtful
361 and above	Loss

7.1.2 Provisioning

Under the prudential guidelines, the bank maintains specific provisions for all credit accommodation and other risk assets which are not be less than the following percentages of the outstanding balance consisting of principal, interest and all other charges and fees which have been capitalized.

Prudential provisioning

Number of days past due	Classification
Current	Zero percent (0%)
Especially Mentioned	three percent (3%)
Substandard	twenty percent (20%)
Doubtful	fifty percent (50%)
Loss	one hundred percent (100%)

In addition, the bank has adopted international accounting standards (IFRS 9) in determining the appropriate impairment on its exposures. Under IFRS9, the bank recognizes expected credit losses based on staging as follows

A. **Stage 1** includes credit facilities (financial instruments) that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, a 12-month expected credit loss (ECL') is recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).
B. **Stage 2** includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, and interest revenue is still calculated on the gross carrying amount of the asset and Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

C. **Stage 3** includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

7.1.3 Loan Restructuring

The bank has in place a special asset management policy which among others details the approach in handling loan restructuring and recovery options. The bank institutes restructuring/Rehabilitation for the purpose of turning around the stressed business relationship and graduating them back to the business.

Loan restructuring is a process aimed principally at capacitating a borrower to resume debt servicing and retire the entire (agreed) outstanding loan balances, or at least some portion of outstanding balances at worst case scenario. This process is premised on the logic that the borrower operations should be reorganized/rehabilitated and run as a going concern if there are brighter prospects that the realization value from the borrower company will be greater than what can be realized through liquidation of its assets.

7.2 Quantitative information

Breakdown of exposures by industry

Sectoral Classified Loan	Total (in TZS millions)
Agriculture	89,236.19
Fishing	1,327.20
Forest	-
Hunting	-
Financial Intermediaries	17,358.26
Mining and quarrying	42,000.91
Manufacturing	165,954.65
Building & construction	43,829.03
Real Estate	74,310.89
Mortgage	29,068.10
Leasing	-
Transport and communication	101,892.93
Trade	227,719.47
Tourism	43,989.97
Hotels and Restaurants	58,403.51
Warehousing and Storage	-
Electricity	-
Gas	29,250.31
Water	-
Education	856.89
Health	9,676.01
Other Services	309,453.67
Personal (Private)	136,746.60
Total	**1,381,074.59**

Breakdown of exposures by geographical areas

Geographical Classified Loan	Total (in TZS millions)
Arusha	98,942.08
Coastal	-
Dar es Salaam	806,006.96
Dodoma	170,710.27
Geita	-
Iringa	9,613.15
Kagera	-
Katavi	-
Kigoma	5,093.31
Kilimanjaro	43,500.03
Lindi	-
Manyara	12,670.14
Mara	-
Mbeya	8,477.92
Morogoro	3,975.59
Mtwara	68,420.08
Mwanza	40,186.75
Njombe	-
Rukwa	-
Ruvuma	-
Shinyanga	6,780.57
Simiyu	-
Singida	-
Songwe	-
Tabora	5,431.59
Tanga	4,110.30
Pemba	-
Unguja	49,756.00
Total	**1,333,674.76**

Breakdown of exposures by residual maturity

Sectoral Classified Loans (in TZS millions)	Up to 30 days	31 – 360 days	Above 1 year
Agriculture	20,034.12	64,292.48	4,909.59
Building & Construction	14,184.91	24,973.80	4,670.31
Education	856.89	-	-
Financial Intermediary	13.07	17,206.12	139.06
Fishing	240.46	1,086.74	-
Gas	-	12,744.65	16,505.66
Government	-	-	187,428.54
Health	833.98	4,075.31	4,766.71
Hotel & Restaurant	5.73	2,851.39	55,546.40
Individual	1,080.92	11,908.07	122,439.90

Manufacturing	13,311.87	58,609.80	94,032.98
Mining & Quarrying	-	372.12	41,628.80
Mortgage	-	570.84	28,497.26
Other Services	6,930.43	34,732.16	34,268.48
Professional Services	11.95	-	-
Real Estate	-	12,260.73	62,050.16
Tourism	1,678.04	26,968.59	15,343.34
Trade	10,887.25	78,914.35	137,887.36
Transport & Communication	10,244.48	22,175.56	69,472.89

Ageing analysis of past due exposures

Sectoral Classified Loans (in TZS millions)	Unclassified (Up to 30 days)	Especially Mentioned (31 to 90 days)	Substandard (91 to 180 days)	Doubtful (181 to 360 days	Loss (above 361 days)	Total
Agriculture	89,236.19	-	-	-	-	89,236.19
Fishing	1,327.20	-	-	-	-	1,327.20
Forest	-	-	-	-	-	-
Hunting	-	-	-	-	-	-
Financial Intermediaries	17,358.26	-	-	-	-	17,358.26
Mining and quarrying	42,000.91	-	-	-	-	42,000.91
Manufacturing	165,954.65	-	-	-	-	165,954.65
Building & construction	43,829.03	-	-	-	-	43,829.03
Real Estate	74,310.89	-	-	-	-	74,310.89
Mortgage	26,942.77	-	1,271.59	853.74	-	29,068.10
Leasing	-	-	-	-	-	-
Transport and communication	97,297.59	-	14.56	1,143.37	3,437.41	101,892.93
Trade	202,289.14	-	1,202.37	511.89	23,716.08	227,719.47
Tourism	43,989.97	-	-	-	-	43,989.97
Hotels and Restaurants	58,403.51	-	-	-	-	58,403.51
Warehousing and Storage	-	-	-	-	-	-
Electricity	-	-	-	-	-	-
Gas	29,250.31	-	-	-	-	29,250.31
Water	-	-	-	-	-	-
Education	856.89	-	-	-	-	856.89
Health	9,676.01	-	-	-	-	9,676.01
Other Services	308,581.38	-	193.51	678.78	-	309,453.67
Personal (Private)	136,117.66	-	332.02	227.63	69.29	136,746.60
Total	**1,347,422.37**	**-**	**3,014.05**	**3,415.40**	**27,222.77**	**1,381,074.59**

Amounts of impaired exposures and related allowances and write-offs by industry.

Sectoral Classified Loans (in TZS millions)	Substandard (91 to 180 days)	Doubtful (181 to 360 days	Loss (above 361 days)	Total Impaired Exposures	Total IFRS impairment
Agriculture	-	-	-	-	-
Building & Construction	-	-	-	-	-
Education	-	-	-	-	-
Financial Intermediary	-	-	-	-	-
Fishing	-	-	-	-	-
Gas	-	-	-	-	-
Government	-	-	-	-	-

Health	-	-	-	-	-
Hotel & Restaurant	-	-	-	-	-
Individual	291.03	148.54	52.40	491.97	100.84
Manufacturing	-	-	-	-	-
Mining & Quarrying	-	-	-	-	-
Mortgage	145.13	860.25	-	1,005.38	18.80
Other Services	97.17	806.42	-	903.59	294.22
Professional Services	-	-	-	-	-
Real Estate	-	-	-	-	-
Tourism	-	-	-	-	-
Trade	1,457.49	511.89	23,716.08	25,685.45	16,435.27
Transport & Communication	3,852.91	1,177.78	-	5,030.69	4,522.42

Breakdown of restructured exposures between impaired and not impaired exposures

Particulars	**Loans Restructured (TZS) (in TZS millions)**
CLASSIFICATION OF RESTRUCTURED LOANS	
Current	62,089.13
Especially Mentioned	-
Substandard	-
Doubtful	992.92
Loss	-
TOTAL LOANS	**63,082.05**
NPLs RATIO	
Principal NPL Amount	992.92
NPL Ratio	**0.07%**

8. Qualitative disclosure requirements related to credit risk mitigation techniques

8.1 Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting

The Bank does not make use of on and off-balance sheet netting. Therefore, the Bank does have policies and processes for on and off-balance sheet netting.

8.2 Core features of policies and processes for collateral evaluation and management

In the context of healthy and careful credit risk management, the bank uses various techniques to mitigate risk, to safeguard against potential defaults on contracts concluded.

The bank mitigates the risk of default by requesting collateral from customers in various forms based on the nature of the credit issued to the obligor.

An example of applicable securities includes asset debentures, specific debentures over debtors and cash, legal charges over immovable properties, cash in a deposit or margin account, Standby Letter of Credit (SBLC) from an acceptable Bank, corporate guarantees, personal guarantees of shareholders and/or directors, Government guarantees, Treasury bills and bonds etc.

The bank's credit risk policies and procedures provide rules and guidelines on the treatment and valuation of acceptable security to protect against losses in the event of default.

Acceptable security by the bank have the following characteristics:

- Security has a resale value in a transparent and established market
- Security is easy to identify and control
- Security can be sold easily without any hindrances or restrictions
- Disposal can be achieved in a reasonable timeframe relative to the volatility of the particular asset
- The cost of realization is acceptable in relation to the asset value
- The property has no overriding interests.
- The lending values are based on market values

Properties held as security by the bank are subjected to a professional valuation every 3 years depending on the nature of the property. The firm of valuers used must be of those on the approved panel.

8.3 Information about market or credit risk concentrations under the credit risk mitigation instruments used

The bank utilizes the simple approach in line with regulatory requirements and substitute risk weights of counterparties with risk weights of eligible collateral as provided in the guidelines issued by the central bank to account for the quality of the credit risk mitigations received from various obligors. The acceptable credit risk mitigations include Guarantee of the Government of the United Republic, Guarantee of the Revolutionary Government of Zanzibar, Guarantee of the Bank of Tanzania, Cash, fixed deposit, treasury bills, notes or bonds, Unconditional and irrevocable guarantee of a first-class international bank or a first class international financial institution, Government securities of an A rated sovereign and Unconditional and irrevocable guarantee of an A rated sovereign.

Collateral Sector concentration

Amounts (in TZS millions)	Legal Mortgage	FDR/Bonds	General Debenture	Specific Debenture	SBLC/ CMA	Guarantee
Agriculture	92,743.75	325.30	150,512.24	4,908.14	18,562.00	-
Building & Construction	80,941.47	22,607.02	31,170.19	23,066.64	-	-
Education	8,950.00	-	-	-	-	-
Financial Intermediary	-	26,451.83	-	-	-	-
Fishing	6,629.00	-	3,146.24	-	-	-
Gas	16,259.00	9,288.00	79,813.00	18,625.00	-	-
Government	-	-	-	-	-	190,550.00
Health	48,918.75	1,873.71	6,472.83	4,785.75	-	-
Hotel & Restaurant	284,279.00	1,545.95	-	4,157.00	-	-
Individual	38,538.13	67,069.85	800.00	2,017.68	-	462.20
Manufacturing	837,854.78	12,293.20	89,074.82	188,782.29	-	-
Mining & Quarrying	37,587.00	4,095.00	18,960.00	51,963.00	-	-
Mortgage	61,001.63	634.55	-	406.25	-	-
Other Services	135,867.12	32,003.78	90,897.07	100,622.32	-	2,800.00
Professional Services	2,885.00	396.99	-	-	-	-
Real Estate	309,226.40	688.60	12,334.10	4,829.83	-	-
Tourism	104,965.65	2,163.95	8,826.00	13,490.42	-	-
Trade	304,084.71	39,134.90	257,784.12	84,821.11	25,334.58	280.00
Transport & Communication	122,888.09	20,645.65	26,014.41	212,074.61	-	12,321.60

9. Credit risk mitigation (CRM) techniques – overview

	a	b	C
Amounts (in TZS millions)	**Exposures carrying amount**	**Exposures secured by eligible collateral**	**Exposures not secured by eligible collateral ((a)-(b))**
Loans	1,382,229.76	295,355.28	1,086,874.48
Debt securities	367,615.08	367,615.08	-
Total	**1,749,844.84**	**662,970.36**	**1,086,874.48**
Of which defaulted	33,966.39	-	33,966.39

10 Operational Risk - Qualitative information

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk is thus the risk of failure, or near failure, of critical business processes and their underlying operational systems and data, be it failure of activities, systems, people or relationships, internally or externally. This definition includes legal risk but excludes strategic-, reputation- and systemic risk. This definition of operational risk applies to all divisions, directors, management, and staff members across the bank.

10.1 Policies, frameworks and guidelines for the management of operational risk

The bank has operational risk management policies and procedures which define the fundamentals that guide Operational Risk Management within the Bank and describes the scheme of its operational breakdown, and promotes the mobilization of all bank stakeholders around control actions related to operational risk, and reduces the occurrence likelihood and the impact of operational risk events such as:

- The deterioration of the Bank's reputation and brand image
- The Financial losses,
- The Shortfalls or lost revenues, and
- Compliance with regulatory requirements and Basel recommended approach regarding Operational Risk

10.2 The structure and organization of operational risk management and control function

A. Governance

The board of directors ensures that an effective Operational Risk Management plan is in place and is being followed through defining the Operational Risk Management system and ensuring it is aligned with the bank's overall business activities. The board deliberates and approves Operational Risk Management Policies of the bank, ensure management implements the Operational Risk Management Policies, review quarterly reports prepared by management outlining adherence with the bank's Operational Risk Management Policies, quarterly evaluating the adequacy and effectiveness of the bank's procedures and systems, and ensuring the bank's operational risk framework is in line with both regulatory requirements and internal operating procedures.

- **Head of Risk & Compliance** The Head of Risk and Compliance evaluates the Operational risk methodology and highlights all the recommendations to the (Board Audit and Risk Management Committee) BARMC, implementing Operational Risk Management Policies as approved by the Board, establishing an effective organizational structure for Operational Risk Management and ensuring sufficient qualified staff and technical resources are devoted to Operational Risk Management and report to the Board of Directors and the Risk Management Committee of the Board on the operations and effectiveness of adherence.
- **Operational Risk Manager** The operational risk manager monitors and reports on the bank's operational risks through designing, implementing and maintaining operational risk framework and policies, and supporting tools, ensuring that appropriate

mechanisms are in place to monitor and analyze operational risk on an ongoing basis, reviewing and challenging the effectiveness of the businesses' management of operational risk within Operational risk framework and policies.

B. The Three Lines of Defense

The three lines of defense outlined in the establishes segregation of duties and roles with reference to risk practices in the organization.

1st Line of Defense (1LoD)

Establish and operate proper governance, implementing policies and procedures, proposing and agree operational risk appetite and supporting limits with 2nd Line of Defense (2LoD) and identify and manage operational risks in the activities in which they are engaged in line with the approved appetite and agreed limits.

2nd Line of Defense (2LoD)

Policy development and conformance, independent review and challenge of business area operational risk appetite, underlying limits and profiles, operate as centers of excellence for specified risk types, own and manage the capital management process and position, primary responsibility for managing regulatory relationships for Operational Risk and overseeing delivery of commitments and providing and maintain the Operational Risk system.

3rd Line of Defense (3LoD)

Internal Audit provides independent assurance to the Board and Management over the effectiveness of governance, risk management and control over current, systematic and evolving risks

10.3 Operational risk measurement system

Operational Risk is managed within approved Risk Appetite and defined Risk Limits. The Risk Appetite is approved annually by the Board. Limits are set for Operational Risk taking, ensuring that the organization is managed with approved Risk Appetite and helps to manage the organization's overall performance with a greater degree of certainty.

The bank has in place an effective management information system (MIS) to monitor Operational risk levels and facilitate timely review of Operational risk positions and exceptions. The Operational Risk Profile, together with supporting rationale and responses, are reported to the Rik Management Committee (RMC) monthly and the (Board Audit and Risk Management Committee) BARMC during quarterly board meetings.

Operational Risk Capital The bank of Tanzania (BOT) regulates Operational Risk Management Practices, including capital requirements, and thus the bank is subject to oversight and compliance requirements. For capital assessment purposes, the Basic Indicator Approach (BIA) is applied as required by the central bank (BOT).

In addition to the approved regulatory approach to capital assessment, Operational Risk is considered in processes supporting the assessment of capital adequacy and risk forecasting requirements, including:

- Stress Testing
- Recovery and Resolution Planning
- Regulatory returns

10.4 The scope and main context of their reporting framework on operational risk to executive management and to the board of directors

The bank has in place an effective management information system (MIS) to monitor Operational risk levels and facilitate timely review of Operational risk positions and exceptions. The Methodology of reporting and submitting the Operational risk Matrix will be as under Reporting Authority Reporting to:

Reporting Authority	Reporting to:	Report contents	Frequency
Corporate Departments/ Branches	Risk Department	• Incidence reports • KRIs • KCSAs	Quarterly and/or based on exigencies Depending on the frequency)
Internal & External control functions	Operational risk	• Process Controls • Review reports	
Ops Risk Unit	RMC	• Specific Risk profiles • Incidents reports • KRIs • KCSAs	Monthly
Ops Risk Unit	Head of Risk & Compliance	• Key risks & action plans	Monthly/quarterly
Head of Risk & Compliance	CEO	• RMC minutes • Key risks & actions	Monthly
Risk Department	M – EXCOM	• Key risks & actions	Monthly
Risk Department	BARMC / B-EXCOM	• Risk profile • Key risks & action plans	Quarterly

11 Operational risk - Quantitative information

S/No	Particulars	Amount (in TZS Millions)				
		Year 1	Year 2	Year 3	Average of BI elements	Total BI
a	b	c	d	e	f	g
1	**I. “Interest, Lease and Dividend”: (A)+(C)+(D)**					**41,291,271,666.67**
2	**The Minimum of Net Interest Income and 2.25% of Interest-bearing Assets**	**30,592.40**	**38,851.70**	**35,743.73**	**35,062.61**	
3	**Net Interest Income (A):**	83,684.00	93,073.00	103,164.00		
4	Interest income	**83,684.00**	**138,710.00**	**161,562.00**		
5	Interest expense	**-**	**45,637.00**	**58,398.00**		
6	**Interest bearing assets (B)**	**1,359,662.00**	**1,726,742.00**	**1,588,610.00**		
7	2.25% of Interest-bearing assets	**30,592.40**	**38,851.70**	**35,743.73**		
8	**Net Financial and operating lease (C)**	**5,516.00**	**6,511.00**	**6,659.00**	**6,228.67**	
9	Financial and operating lease income, profits from leased assets	**-**	**-**	**-**		
10	Financial and operating lease expenses, losses from leased assets, depreciation and impairment of operating leased assets	**5,516.00**	**6,511.00**	**6,659.00**	**-**	**-**
11	**Dividend income (D)**	**-**	**-**	**-**	**-**	
12						
13	**II. “Services” : (E)+(F)**					**123,689.33**
14	**Net Fee and Commission Income (E)**	**19,051.00**	**24,857.00**	**29,449.00**	**24,452.33**	
15	Fee and commission income	**19,051.00**	**24,857.00**	**29,449.00**		
16	Fee and commission expenses	**52.00**	**62.00**	**320.00**		
17	**Net Other Operating Income (F)**	**86,797.00**	**100,815.00**	**110,099.00**	**99,237.00**	
18	Other operating income	**55,329.00**	**57,763.00**	**87,660.00**		
19	Other operating expenses	**86,797.00**	**100,815.00**	**110,099.00**		
20						
21	**III. “Financial” : (I)+(J)**	**-**	**-**	**-**	**-**	**-**
22	Net profit (loss) on the trading book	**-**	**-**	**-**		
23	Net profit (loss) on the banking book	**-**	**-**	**-**		
24						
25	Total (I+II+III)					164,980.61
26	Marginal Coefficient (a)					**0.12**
27	Capital Charge (Average*risk factor)					**19,797.67**
28	Conversion Factor					**8.33**
29	Calibrated Risk-Weighted Equivalent Amount					**164,980.61**

12. Market Risk
12.1 Qualitative information
12.1.1. Strategies and processes

A. Strategic Objectives

The bank has in place the Treasury and Global Market unit which operates as a profit center. The unit takes calculated risk with a view to optimizing the risk-reward equation for the Bank.

The principal objectives of the Treasury and Global Market function include

- ensuring sufficient liquidity exists within the Bank to meet its funding requirements,
- ensure that the Bank can service its debt by prudent management of interest expense and adherence to financial covenants
- To manage financial risks (liquidity, credit, price and interest rate) including any tax impact
- To maintain maturity pattern of investments consistent with the Bank's need for funds and asset liability management
- To hedge all material firm transactional exposures, unless otherwise approved as an exception by the Board, as well as to manage anticipated cash flows over the short and medium term
- To improve return and optimize earnings on investment
- Management of surplus cash
- To ensure optimum utilization of capital
- Cover customers' daily foreign exchange transaction requirements
- Ensure working capital and other operational cash needs of the Bank are appropriately funded.
- Oversee the Bank's banking relationships with commercial and regulatory counterparties and related business contact
- To maintain both banking and trading books of securities

B. Policies and procedures

Due to the sensitivity of both interest rate and foreign exchange products that are being traded by Treasury in local and international markets on one side, and the amount of risk carried by Treasury and Global Market operations on the other, there is a need for definition of guiding principles for Treasury Global Market operations.

The bank has in place policies and procedures defining the framework of the bank's financial management and policy guidelines. The policies discuss Trading operations and operational rules and limits. The Treasury unit is guided by the principles of transparency, accountability and profitability within defined risk parameters.

C. A general description of the trading desk structure

Front Office consists of sales, trading and Asset and Liability Management (ALM) Desks. The Front Office (FO) is responsible for the analysis and efficient execution of all trading transactions and funding, consistent with the Bank's policies and strategy. The Front Office reports to Head of Treasury and Global Market. Sales focuses on client whereas Trading focuses on interbank trading, foreign exchange, and fixed income investment and trading while ALM Desk is responsible for Balance Sheet management and funding to facilitate bank's day-to-day operations.

Middle office (Market Risk Function) provides independent oversight of the Treasury activities i.e. front and Back-office activities. The middle office is independent of the front and back office and reports to the Head, Risk management. The middle office is staffed with officers with necessary skills and is responsible for monitoring, measuring, analyzing and reporting market risk arising from Treasury operations.

Back Office provides vital support and administration. The core competence of the Back Office is operational, involving transaction confirmation, settlements, reconciliation and payments, as well as maintaining records of new contracts, disbursements and payments. The Back Office reports to the Head of Operations with line-of-sight reporting to the Head of Treasury and Global Market. The Back Office is a working mirror of the Front Office operations. It performs delivery and settlement of the transactions that the Front Office has entered, checking limits for the purpose of risk and exposure controls, and reporting

D. Policies for determining whether a position is designated as trading

All Treasury Trading products are approved by the Product Committee prior to commencing any trading in those products. The treasury unit is responsible for the management of risks associated with these products which include

Market Risk The risk of a reduction to earnings or capital due to volatility of book trading positions

Counterparty Credit Risk/Settlement Risk The market risk that arises from the uncertainty of credit quality impacting prices of assets, for example, positions such as Bonds, Securitized products and derivative instruments. Counterparty credit exposure arises from the risk that parties are unable to meet their payment obligations under certain financial contracts such as derivatives, securities financing transactions (e.g. repurchase agreements), or long settlement transactions

Foreign Exchange Risk The impact of changes in foreign exchange rates and volatilities. The Bank may be exposed to adverse or favorable movements in FX prices (e.g. movement of FX rates after entering into a forward rate FX contract).

Price / Interest rate Risk Changes in the level of interest rates can impact prices or valuation of interest rate sensitive assets, such as bonds and derivative instruments

Funding Risk With full principal cash flows at start and maturity dates (plus interest at maturity), money market loans and deposits carry full funding risk

The bank manages the risks emanating from its trading products separate from the risks in the banking book. The bank defines its products in accordance with international financial reporting standards (IFRS), such that.

- **Trading Securities** Securities that are bought and held principally for the purpose of selling them in the near term. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. (The resultant profit and loss in this category is treated through Treasury profit and loss account.)
- **Held-To-Maturity Securities (HTM)** Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost.
- **Available-For- Sale Securities** Debt securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities (AFS) and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity

E. The structure and organization of the market risk management function, including a description of the market risk

Risk management function exercises oversight on all risk and compliance aspects of Treasury activities, identify and quantify risks posed by Treasury activities and operations, identify mitigating actions and develop and recommend strategies to mitigate these risks, recommend a limit structure to be implemented for Treasury trading activities, regularly review all risk reports and other information from Treasury and ensure that the corresponding information is within the agreed risk appetite for the Bank, escalating risk issues to ALCO or the BRMC as appropriate.

The bank's Standard Treasury operations are structured to ensure separation of functions between Front Office, mid and Back Office for the purpose of dual control and to ensure a prompt and efficient means of dealing, delivery and settlement, reporting, product analysis, risk identification, mitigation and control.

12.1.2. Governance

The Board of directors have the overall oversight on Treasury activities charged with Understanding the nature and the level of market risk taken by the institution, approving broad business strategies and policies that govern or influence the market risk of the institution, reviewing the overall objectives of the institution with respect to market risk and ensuring the provision of clear guidance regarding the level of risk acceptable to the institution, ensuring that senior management has sufficient knowledge and is fully capable of managing market risk including taking the steps necessary to identify, measure, monitor, and control this risk and reviewing information that is sufficient in detail and timeliness from senior management.

12.1.3 Reporting Mechanism

The Front Office reports to the Head of Treasury and Global Markets, the Middle Office function reports to the Head of Risk and Compliance, and the Back Office reports to the Head of Business Operations and Service Delivery on all material items in a timely manner. Reports are produced to allow both accurate tracking of transactions and to allow accurate accounting entries, including the construction of daily P&L and balance sheet. Board of directors and Senior management receives periodic reports through the Board Audit and Risk Committee (BARMC) and the Risk Management Committee (RMC).

12.2 Quantitative information

	Capital charge in simplified standardized method (in TZS Millions)
Interest rate risk	-
Equity risk	-
Foreign exchange risk	27,401.06

13. Interest Rate Risk in the Banking Book

13.1. Qualitative Disclosures

The purpose of the Asset Liability Management Policies and procedures set guidelines under which the Bank manages its asset and liabilities exposures and market risk. The policies describe the risks, the risk measurement tools, and the limit structure used by the Bank for controlling its market risk and asset liability exposures. Limits are key controls in ensuring that the Bank's overall risk appetite is in line with those set out by the Board of Directors. Limits help to ensure that risk is taken in an optimal manner and that excessive risk is not taken such that it exposes the bank to potential outsized losses.

Within the framework of its objectives, ALCO is entrusted with the regular assessment of the balance sheet interest rate risk, taking the necessary measures to ensure compliance with the defined objectives, as well as compliance with regulatory determinations issued by the supervisory entities.

In summary, the process of measuring balance sheet interest rate risk encompasses two distinct stages: identifying and collecting the risk positions of the different units and determining the set of indicators relevant to the assessment of this risk.

Interest rate risk is the risk incurred by a financial institution whenever, in carrying out its activity, it contracts operations with financial flows that are sensitive to interest rate variations, consisting of the possibility of losses occurring in the net interest income in economic value, because of the impact of an adverse change in interest rates. In other words, it is a risk that an interest rate variation occurs, leading to a decrease in the institution's profitability or increasing its financial cost.

The bank utilizes various measures to quantify and monitor interest rate risk in the banking book (IRRBB) mainly the gapping method (repricing) where asset sensitive assets and liabilities are slotted in various buckets based on remaining time to maturity and time remaining until the next repricing for floating rate assets and liabilities.

The IRRBB model makes the following assumptions relating to non-contractual accounts based on.

- Demand deposits have been distributed under assumption that 7% will mature during the first three maturity bands

- Savings deposits have been distributed under assumption that 4% will mature during each of the three maturity bands
- All assets and liabilities will be reinvested/refinanced and hence the impact will affect the income for the remaining period to complete one year
- All repricing occurs at midpoint of time band

13.2 Quantitative Disclosures

The repricing gaps from the IRRBB model are then subjected to stress scenarios involving a parallel shift in the yield curve to establish the impact of the sensitive assets and liabilities on the bank's earnings and capital adequacy.

MATURITY PROFILES AS AT 31 December 2025							
	0-30	31-90	91-180	181-365			
Amounts in TZS Millions	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1yr & above	Non-interest-bearing items	
LIABILITIES							TOTAL
Demand Deposits	66,573.98	199,721.93	399,443.85	133,147.95	-	-	798,887.71
Savings Deposits	32,773.01	98,319.03	196,638.07	65,546.02	-	-	393,276.13
Time Deposits	97,875.82	111,974.64	162,138.85	260,438.60	123,375.03	-	755,802.94
Borrowings	0.00	-	-	-	8,500.00	-	8,500.00
Other Interest-bearing liabilities	128,071.25	14,302.50	23,837.50	-	-	-	166,211.25
Non-interest-bearing liabilities	-	-	-	-	-	152,959.31	152,959.31
TOTAL LIABILITIES	**325,294.07**	**424,318.10**	**782,058.27**	**459,132.57**	**131,875.03**	**-**	**2,275,637.36**
							-
ASSETS							-
Loans and advances	16,855.77	53,492.39	109,537.49	38,519.82	908,505.69	-	1,126,911.17
Overdrafts	63,458.32	36,530.23	66,739.59	69,347.62	-	-	236,075.76
Treasury bills	-	-	-	-	-	-	-
Treasury bonds	8,919.33	-	3,002.07	-	352,602.78	-	364,524.17
Interbank receivables	346,178.28	-	-	-	-	-	346,178.28
Other interest-bearing assets	-	-	-	-	-	-	-
Non-interest-bearing assets	-	-	-	-	-	(2,073,686.75)	(2,073,686.75)
TOTAL ASSETS	**435,411.70**	**90,022.63**	**179,279.15**	**107,867.44**	**1,261,108.47**	**-**	**2,627,848.17**
INTEREST SENSITIVITY GAP (before shock)	**110,117.63**	**(334,295.47)**	**(602,779.12)**	**(351,265.13)**	**1,129,233.43**		**-**
CUMMULATIVE INTEREST SENSITIVITY GAP	**110,117.63**	**(224,177.84)**	**(826,956.96)**	**(1,178,222.10)**	**(48,988.66)**		**(48,988.66)**
EARNING IMPACT (after-shock)	**2,927.29**	**(8,078.81)**	**(10,197.01)**	**(2,546.67)**			
Total Impact to Profit and Loss- after shock					**(4,473.80)**	**3month view**	

14. Leverage Ratio

The bank continuously grows its capital in accordance with the growth in its business to ensure that the bank is not overly leveraged on customer deposits. The bank maintains the levels of leveraged capital within the regulatory minimum of 7 percent.

The bank computes its leverage ratio in accordance with the regulatory requirements by comparing its Tier 1 capital against its total on balance sheet and off-balance sheet assets which are converted into on balance sheet exposures through the regulatory approved credit conversion factors.

As of 31 December 2025, the bank's leverage ratio was adequately maintained within regulatory requirements at 10.98% (Min 7%)

Leverage Ratio

S/No	Particulars	Amounts (in TZS Millions)
1	Total Assets	2,633,891.52
2	Total Off Balance Sheet Exposures	372,673.58
3	Total Exposure Measure (Item 1 plus 2)	3,006,565.10
4	Tier 1 Capital	329,994.71
5	Leverage Ratio	10.98%

15. Liquidity Risk Management

Liquidity risk is defined as the risk that the bank, although balance-sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due (because of funding liquidity risk), or can only do so at materially disadvantageous terms (because of market liquidity risk). Funding liquidity risk refers to the risk that the counterparties who provide the bank with funding will withdraw or not roll over that funding. Market liquidity risk refers to the risk of a general disruption in asset markets that make normally liquid assets illiquid and the potential loss through the forced sale of assets resulting in proceeds being below their fair market value.

Liquidity problems can have an adverse impact on a bank's earnings and capital and, in extreme circumstances, may even lead to the collapse of a bank which is otherwise solvent. A liquidity crisis besetting individual banks that play an active or major role in financial activities may have systemic consequences for other banks and the banking system. Sound liquidity risk management is therefore pivotal to the viability of every bank and the maintenance of overall banking stability.

Liquidity Coverage Ratio (LCR)

Liquidity Coverage Ratio (LCR) is the ratio of high-quality liquid assets to total net cash outflow over the next thirty-calendar period. The ratio is intended to enhance the resilience of banks and financial institutions to a short-term liquidity stress.

The main objective of introducing LCR is to ensure that every bank and financial institution maintains an adequate stock of unencumbered High Quality Liquid Assets (HQLA) to meet its liquidity needs over a 30-calendar day period. At a minimum, the stock of unencumbered HQLA should enable the bank to survive until Day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken by management and supervisors, or that the bank can be resolved in an orderly way. Furthermore, it gives the Central Bank additional time to take appropriate measures, should they be regarded as necessary

S/NO	PARTICULARS	Outstanding Amount (in TZS Millions)	Factor	Net Amount
a	b	c	d	e
1	**Stock of High-Quality Liquid Assets (HQLA)**			
2	Cash (notes and coins)	44,892	100%	44,892
3	Balances with Bank of Tanzania to the extent that these balances can be drawn down in times of stress[1]	70,799	100%	70,799
4	Balances with Other banks and Interbank Loan Receivable callable on demand or with a maturity of less than 30 days	346,178	100%	346,178
5	Unencumbered Government securities maturing within 1 year	3,002	95%	2,852
6	Unencumbered Government securities maturing after 1 year	361,522	80%	289,218
7	**Total high quality liquid assets**	**826,393**		**753,938**
8	**Cash Outflows**			
9	Demand deposits	803,519	10%	80,352
10	Savings deposits	393,276	10%	39,328
11	Time deposits (maturing in 30 days)	98,195	100%	98,195
12	Deposits from banks and financial institutions (maturing in 30 days)	184,972	100%	184,972
13	Derivatives cash outflows (sum of all net cash outflows due within 30 days)	-	100%	-
14	All other contractual cash outflows (maturing in 30 days)	-	100%	-
15	Undrawn and unexpired overdrafts	109,473	30%	32,842
16	Undrawn balances of loans	-	10%	-
17	Other contingent funding liabilities (such as guarantees and letters of credit)	304,213	5%	15,211
18	**Total cash outflows**	**1,893,648**		**450,899**
19	**Cash Inflows**			
20	Loans and advances (maturing within 30 days)	73,168	50%	36,584
21	Due from banks and financial institutions (maturing in 30 days)	-	100%	-
22	All other contractual cash inflows (maturing in 30 days)	-	100%	-
23	Net derivatives cash inflows	-	100%	-
24	**Total cash inflows**	**73,168**		**36,584**
s25	**Total net cash outflows = Total cash outflows minus the lower of total cash inflows and 75% of gross outflows**			**414,315**
26	**Liquidity Coverage Ratio =(Total high quality liquid assets)/(Total net cash outflows)**	**-**		**182%**

16. Net Stable Funding Ratio (NSFR)

To maintain structural resilience over longer-term time horizons, the Bank calculates, track and report a Net Stable Funding Ratio (NSFR). The ratio is obtained by dividing the available amount of stable funding by the required amount of stable funding.

Available stable funding (ASF) refers to the total amount of liabilities and equity that are classified and weighted according to their contractual and behavioral characteristics, as specified by Bank of Tanzania.

Required stable funding (RSF) is defined as assets, including off-balance sheet positions, that are classified and weighted based on their contractual and behavioral characteristics, as specified by Bank of Tanzania.

S/NO	PARTICULARS	Carrying Amount (in TZS Millions)	Factor	Weighted Amount(B*C)
a	b	c	d	e
1	**Available Stable Funding (ASF)**			
2	Common equity Tier 1	329,994.71	100%	329,994.71
3	Additional Tier 1	-	100%	-
4	Tier 2 Capital (excluding Tier 2 instruments with residual maturity of less than one year)	21,989.17	100%	21,989.17
5	Borrowings and liabilities with maturities of one year or more	8,500.00	100%	8,500.00
6	Stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	1,196,796.05	95%	1,136,956.25
7	Less stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	389,579.25	90%	350,621.32
8	Funding with residual maturity of less than one year provided by non-financial corporate customers	242,848.76	50%	121,424.38
9	Operational Deposits	-	50%	-
10	Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks	81,900.00	50%	40,950.00
11	Other funding maturing within a period of six months to one year and not included in the line items above, including funding provided by central banks and financial institutions, including banks within the same cooperative network	189,502.04	50%	94,751.02
12	Deferred tax liabilities (if the effective maturity of the liability greater than one year).	-	100%	-
13	Deferred tax liabilities maturing within a period of six months to one year.	-	50%	-
14	Deferred tax liabilities maturing within six months.	-	50%	-
15	Minority Interest – If perpetual or with effective maturity of greater than or equal to one year	-	100%	-
16	Minority Interest with residual maturity between six months and less than one year.	-	50%	-
17	Minority Interest with effective maturity of less than six months.	-	0%	-
18	All other liabilities and equity not included in the above categories, including liabilities without a stated maturity.	-	0%	-
19	NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets	-	0%	-
20	NSFR derivative liabilities (derivative liabilities less total collateral posted as variation margin on derivative liabilities).	-	0%	-
21	"Trade date" payables arising from purchases of financial instruments, foreign currencies	-	0%	-
22	**Total Available Stable Funding (ASF) [sum (1)-(21)]**			**2,105,186.86**
23	**Required Stable Funding (RSF)**			-
24	**On-balance sheet**			-
25	Cash	44,891.59	0%	-
26	Balances with Bank of Tanzania (All balances including Statutory Minimum Reserve).	200,490.95	0%	-
27	Claims on Bank of Tanzania with residual maturities of less than six months.	-	0%	-
28	Receivables arising from sales of financial instruments and foreign currencies.	-	0%	-
29	Unencumbered HQLA excluding cash and balance with the Bank of Tanzania.	364,524.17	5%	18,226.21
30	Unencumbered loans to banks and financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets, where a bank or financial institution has the ability to freely rehypothecate the received collateral	-	10%	-
31	All other unencumbered loans to banks and financial institutions with residual maturities of less than six months not included in the above categories.	346,178.28	15%	51,926.74

32	HQLA encumbered for a period of six months or more and less than one year.	-	50%	-
33	Loans to Bank of Tanzania, banks and financial institutions with residual maturities between six months and less than one year.	-	50%	-
34	Deposits held at other banks and financial institutions for operational purposes	89,508.10	50%	44,754.05
35	All other assets not included in the above categories with residual maturity of less than one year.	-	50%	-
36	Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 75%.	-	65%	-
37	Other unencumbered loans not included in the above categories, excluding loans to banks and financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 50%.	-	65%	-
38	Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a Central Counter Party.	-	85%	-
39	Other unencumbered performing loans with risk weights greater than 50% and residual maturities of one year or more, excluding loans to banks and financial institutions.	898,634.11	85%	763,838.99
40	Unencumbered securities that are not in default and do not qualify as HQLA with a remaining maturity of one year or more and exchange-traded equities	-	85%	-
41	Physical traded commodities, including gold	-	85%	-
42	All other assets that are encumbered for a period of one year or more	-	100%	-
43	Derivative assets net of derivative liabilities if derivative assets are greater than derivative liabilities.	-	100%	-
44	All other assets not included in the above categories, including non-performing loans, loans to banks and financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities.	582,673.24	100%	582,673.24
45	**Off-balance sheet**	-		
46	Irrevocable and conditionally revocable credit and liquidity facilities to any client	-	5%	-
47	Unconditionally revocable credit and liquidity facilities	-	5%	-
48	Trade finance-related obligations (including guarantees and letters of credit)	-	1%	-
49	Guarantees and letters of credit unrelated to trade finance obligations	304,212.52	1%	3,042.13
50	Other non-contractual obligations	-	1%	-
51	All other off balance-sheet obligations are not included in the above categories.	109,472.68	5%	5,473.63
52	**Total Required Stable Funding (RSF) [sum (22)-(47)]**			**1,469,934.99**
53	**Net Stable Funding Ratio = (Total available stable funding)/(Total required stable funding) [B/D]**			**143%**